



**AUDIT COMMITTEE**

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To: Councillors Boldrin, S. Bradshaw, A. Gray, Hadji-Nikolaou, Parsons (Vice-Chair), Snartt and Ms Nellist (Chair) (For attention)

All other members of the Council  
(For information)

You are requested to attend the meeting of the Audit Committee to be held in Committee Room 1, at the Council Offices, Southfields, Loughborough on Tuesday, 22nd November 2022 at 6.00 pm for the following business.

Chief Executive

Southfields  
Loughborough

14th November 2022

**AGENDA**

1. APOLOGIES
2. DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

For information, disclosable pecuniary interests and registrable interests relate to entries that are included, or should be included, on a councillor's register of interests. Non-registrable interests relate to any other matters.

3. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8  
No questions were submitted.
4. EXTERNAL AUDIT - AUDIT COMPLETION REPORT -  
CHARNWOOD BOROUGH COUNCIL - YEAR ENDED 31 MARCH  
2022 3 - 34  
A report of the External Auditor.
5. ANNUAL GOVERNANCE STATEMENT 2021/22 AND REVIEW OF  
THE CODE OF CORPORATE GOVERNANCE 35 - 53  
A report of the Head of Governance and Human Resources.
6. STATEMENT OF ACCOUNTS 2021/22 54 - 136  
A report of the Head of Finance.

# Audit Completion Report

Charnwood Borough Council - Year  
ended 31 March 2022

November 2022  
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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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November 2022

Dear Committee Members

## Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on [Mark.Surridge@mazars.co.uk](mailto:Mark.Surridge@mazars.co.uk)

Yours faithfully



Mark Surridge, Director

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

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

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation; and
- Valuation of land and buildings, council dwellings and investment properties.

## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations, Section 6 sets out audit misstatements and Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Our work in all areas has not highlighted any significant concerns to report from the work to date.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B. This is subject to the work outstanding, identified in section 2 of this report.



### Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



### Wider powers

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

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# 02

## Section 02: **Status of the audit**



## 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
<b>Valuations of Land and Buildings, including Council Dwellings and Investment Properties</b>	 [Amber]	We are working through residual queries and working papers relating to the Council's assessment of asset valuations.
<b>Net Pension Liability</b>	 [Amber]	We are awaiting a response to our request for assurances from the Pension Fund Auditor dated 10 May 2022. The assurance letter from the auditor will require additional audit procedures and it could lead to uncertainties over the carrying value of the figures in the Council's financial statements. Until we receive the letter, we are unable to conclude on what, if any action, is required.
<b>Review of residual audit evidence</b>	 [Green]	We have received the audit evidence and response to our queries in a number of areas unrelated to significant audit risks, which we need to review and conclude upon, covering: income cut-off; asset disposals; and minor disclosures notes in the financial statements.
<b>Whole of Government Accounts</b>	 [Green]	We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received. This covers both 2020/21 and 2021/22.
<b>Completion procedures</b>	 [Green]	Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.
<b>Value for Money</b>	 [Green]	Our VFM work is substantially complete and we have not identified any significant weaknesses that require further work or reporting to members. Our assessment remains open until we issue the Annual Auditor's Report.



[Red]  
Likely to result in material adjustment or significant change to disclosures within the financial statements.



[Amber]  
Potential to result in material adjustment or significant change to disclosures within the financial statements.



[Green]  
Not considered likely to result in material adjustment or change to disclosures within the financial statements.

# 03

## Section 03: **Audit approach**

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Reliance on internal audit

No reliance has been placed on internal audit for the 2021/22 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £1.52m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £1.51m using the same benchmark.

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

We have not identified any service organisations for the purposes of our audit.

## Use of experts

Information below was disclosed within our Audit Strategy Memorandum, dated 23 March 2022. No changes to our audit approach have been identified.

Item of account	Management's expert	Our expert
Property Plant and Equipment & Investment Properties	<b>External valuer</b> Wilks, Head and Eve	None We have used third party evidence provided via the NAO to support our challenge of valuation assumptions.
Pensions	<b>Hymans Robertson LLP</b> Actuary for Leicestershire Pension Fund (LGPS)	PWC (Consulting actuary appointed by the NAO).
Financial Instrument disclosures	<b>Link Asset Management (LAM)</b> Treasury management advisors	None.



# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

## Significant risks

<b>Management override of controls</b>	<b>Description of the risk</b>
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>
	<p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	<b>How we addressed this risk</b>
	<p>We addressed this risk through performing audit work over:</p>
	<ul style="list-style-type: none"><li>• Accounting estimates impacting amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>
	<b>Audit observations</b>
	<p>We did not identify any significant transactions outside the normal course of business. We applied a combination of audit judgement and computer aided audit tools to analyse and perform tests over journal entries.</p>
	<b>Audit conclusion</b>
	<p>No issues have been identified, subject to clearance of matters set out in section 2 of this report that need to be brought to the attention of members.</p>



# 4. Significant findings

## Defined benefit liability valuation

### Description of the risk

The defined benefit liability relating to the Local Government pension scheme represents significant balances on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk of misstatement in this area.

Relevant Account Balances (taken from the 2021/22 draft financial statements): £60m – Note 33

### How we addressed this risk

We addressed this risk by:

- critically assessing the competency, objectivity and independence of the Pension Funds' Actuary;
- liaising with the auditors of the Leicestershire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and
- agreeing the data in the IAS 19 valuation report provided by the Fund Actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

### Audit Observations

The Council's share of the LGPS pension fund net liability (being a deficit position) of £60m has decreased from £85m in the prior year as shown in Note 33 of the financial statements. The main movements being an increase in the value of pension assets from £136m to £151m; and a decrease in the value of pension liabilities from £220m to £211m.

We have not received assurance required from the Pension Fund auditor nor confirmation of whether the estimates provided to the Council on pension fund assets and liabilities have materially moved once actual figures were known over the summer.

### Audit conclusion

Our work is ongoing in this area.

# 4. Significant findings

## Valuation of land & buildings and investment properties and council dwellings

### Description of the risk

Land, Building and Investment Property assets are significant balances on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.

At the planning stage of the audit, this risk covers (figures have been taken from the draft 2021/22 financial statements):

- Council dwellings (£330m – Note 10)
- Other Land & Buildings (£62m - Note 10)
- Surplus Assets (£757k – Note 10)
- Investment Properties (£26m – Note 11)

### How we addressed this risk

We addressed this risk by:

- critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;
- critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and
- testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.

### Audit observations

Alongside the valuation process this year, our work has identified inaccurate data regarding asset sizes leading to inaccuracies in the asset valuations. The Council has obtained updated valuations, indicating an adjustment of c£2.5m and we are currently reviewing the output of this exercise and the effect it has had on asset valuations and the financial statements.

### Audit conclusion

In line with section 2 of this report and above, some queries remain outstanding so we are yet to finalise and confirm our findings.

# 4. Significant findings

## Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

### Going Concern

The Council's financial statements are prepared on the assumptions that it is a going concern and will continue its operations for the foreseeable future. International Auditing Standard ISA (UK) 570, requires auditors to 'obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern'.

Following the issue of Supplementary Guidance Note 1 (SGN1) by the National Audit Office, we have adopted a sector-specific approach to our work on going concern, which follows the principles of Practice Note 10 (PN10) and the guidance provided in SGN1. The SGN1 and PN10 make it clear that the auditor's focus for non-trading public sector bodies should be on the extent to which there are any indications that the services provided by an entity will cease or transfer outside of the public sector (termed the Continued Provision of Service approach ('CPoS')).

### Significant matters discussed with management

Significant matters discussed with management during our audit, and which had implications for our audit testing and reporting included:

- The on-going impact of Covid-19 on the Council's business, including any potential impact on risks of material misstatement;
- How the current financial market, has impacted the Council's budget setting process, and assumptions made within the financial statements, alongside the impact of future funding.
- Discussions on accounting provisions, contingent liabilities and the capital programme.

## Significant difficulties during the audit

We have had positive co-operation from management during the audit and particular want to thank the Head of Finance and the Director of Finance, Governance and Contracts for their support in responding to some late audit queries arising from some of our own internal staffing difficulties.

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# 4. Significant findings

## Wider responsibilities

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

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

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

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

## Possible delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts. We expect to issue the audit report but delay the issue of the Audit Certificate until the following procedures are complete:

- Value for Money - We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022 and expect to report our findings in the 2021/22 Annual Auditors Report within 3 months of giving our audit opinion. At the time of preparing this report, we have not identified any significant weaknesses in the Council's arrangements that require us to make a recommendation.
- Whole of Government Accounts - The NAO has not yet issued its Group Instructions for local authority audits.

We will update the Audit and Standards Committee when more information is known but at this stage the draft Auditor's Report at Appendix B assumes that we are not able to issue the Audit Certificate at this stage.

This position is the same as 2020/21.



# 05

## Section 05: **Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We assign priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

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# 06

Section 06:

## **Summary of misstatements**

## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £45k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Reserves	91			
	Cr: Expenditure				91
<b>Total unadjusted misstatements</b>		<b>91</b>			<b>91</b>

As part of our testing of expenditure, we identified that the Council continues to recognise expenditure once billed rather than when performance obligations (i.e. the service period) falls due. This means that accruals for items that cross a financial year end are not made. For example, where an item of expenditure relates to 1 month pre-year end and 2 months post year-end, it should only recognise 1 month in the current financial year, but the Council recognises all 3 months. As an isolated case, this would mean the accounts are incorrect by 2 months of expenditure. However, when the item occurs annually, then the error is offset by the reserve of the error made from the previous year (ie 12 months of spend are recognised in any financial year. The potential for error increases where contract prices change or new services commence and therefore there is not a brought-forward figure to net off the error.

We identified two cases where expenditure relating to the year 2020/21 had not been accrued for and was charged in the 2021/22 year, the two errors are offsetting so the total amount is £4.4k however once extrapolated this gives an estimated total error of £91k.

### Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	NIL TO DATE				
<b>Total unadjusted misstatements</b>					

### Disclosure amendments

Based on our work undertaken, we have identified a small number of disclosure amendments to the accounts, none of which are considered material and therefore to be reported to Members



# 07

## Section 07: **Value for Money**

# 7. Value for Money

## Approach to Value for Money

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

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

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

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in January 2023.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

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# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications



# Appendix A: Draft management representation letter

Mazars LLP

Dear Sirs

## Charnwood Borough Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Charnwood Borough Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

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

### My responsibility for the financial statements and accounting information

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

### My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

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

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

### Accounting records

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

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

### Accounting policies

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

### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

### Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

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# Appendix A: Draft management representation letter

## Laws and regulations

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

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

## Fraud and error

I acknowledge my responsibility as Head of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
- Others where fraud could have a material effect on the financial statements.

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

## Related party transactions

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

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

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable

amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. An impairment review is therefore not considered necessary.

## Charges on assets

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

## Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## Subsequent events

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

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

## Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

## Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

## Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and there is no significant impact on the Council's operations from restrictions or sanctions in place.

# Appendix A: Draft management representation letter

### Going concern

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

I have updated our going concern assessment in light of the on-going Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### Annual Governance Statement

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

### Narrative report

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

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Head of Finance

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# Appendix B: Draft audit report

Independent auditor's report to the members of Charnwood Borough Council [SUBJECT TO FINALISATION]

## Report on the audit of the financial statements

### Opinion on the financial statements

We have audited the financial statements of Charnwood Borough Council ("the Council") for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, HRA Income and Expenditure Statement and Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Strategic Director of Environmental and Corporate Services and S.151 Officer's, as the Chief Financial Officer, use of the going concern basis of

accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Strategic Director of Environmental and Corporate Services and S.151 Officer's as the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

### Other information

The Strategic Director of Environmental and Corporate Services and S.151 Officer (the Chief Financial Officer) is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Appendix B: Draft audit report

## Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Strategic Director of Environmental and Corporate Services and S.151 Officer's, as the Chief Financial Officer, is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Strategic Director of Environmental and Corporate Services and S.151 Officer, as the Chief Financial Officer, is also responsible for such internal control as Strategic Director of Environmental and Corporate Services and S.151 Officer (as the Chief Financial Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director of Environmental and Corporate Services and S.151 Officer, as the Chief Financial Officer, is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Strategic Director of Environmental and Corporate Services and S.151 Officer as the Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Strategic Director of Environmental and Corporate Services and S.151 Officer (Chief Financial Officer) incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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Executive summary

Status of audit

Audit approach

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Internal control recommendations

Summary of misstatements

Value for Money

Appendices

# Appendix B: Draft audit report

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Strategic Director of Environmental and Corporate Services and S.151 Officer's (the Chief Financial Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

### Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the

adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

# Appendix B: Draft audit report

### Use of the audit report

This report is made solely to the members of Charnwood Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed [tailor the following bullets according to the reason(s) for withholding the certificate]:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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# Appendix C: Independence

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

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

Issue	Perceived threats	Safeguards
We have been separately engaged by the Council to carry out additional work Assurance services – Pooling of Housing Capital Receipts. Before agreeing to undertake any additional work, we consider whether there are any actual, potential or perceived threats to our independence.	Self-interest	The proposed fee for this work, £3,250, is significantly below the fee for the external audit.





# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that Charnwood Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>
<b>Subsequent events</b>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<b>Matters related to fraud</b>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Audit Committee, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ol style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

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# Mark Surridge, Key Audit Partner

## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

## AUDIT COMMITTEE – 22<sup>nd</sup> NOVEMBER 2022

### Report of the Head of Governance & HR

#### Part A

#### ITEM 5 ANNUAL GOVERNANCE STATEMENT 2021/22 AND REVIEW OF THE CODE OF CORPORATE GOVERNANCE

##### Purpose of Report

To present the Annual Governance Statement (AGS) 2021/22 for approval, and to report the results of the annual review of the Council's Code of Corporate Governance.

##### Recommendations

1. To approve the Annual Governance Statement (attached as Appendix B to this report).
2. To approve the updated Code of Corporate Governance (attached as Appendix A to this report).

##### Reasons

1. So that the Annual Governance Statement can be finalised and signed by the Leader of the Council and the Chief Executive in accordance with the required timescales.
2. To ensure that the Code of Corporate Governance is kept up to date and complies with best practice.

##### Policy Justification and Previous Decisions

The production of an AGS is a statutory requirement.

As set out in the Constitution, the Audit Committee has responsibility for considering the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

##### Implementation Timetable Including Future Decisions

If approved by this Committee, the AGS will be signed by the Leader of the Council and the Chief Executive and will form part of the published statement of accounts.

Report Implications

*Financial Implications*

None.

*Risk Management*

There are no risks arising from this report.

Background Papers: Delivering good governance in Local Government Framework 2016 Edition (CIPFA / SOLACE): publicly available

Officer to Contact: Adrian Ward (01509) 634573  
[adrian.ward@charnwood.gov.uk](mailto:adrian.ward@charnwood.gov.uk)

## Part B

### Background

1. An Annual Governance Statement (AGS) is a requisite part of the published statement of accounts. Although forming part of the statement of accounts, it is good practice to consider the AGS separately to the accounts.
2. The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issued joint updated guidance on corporate governance in 2016. The guidance sets out updated requirements for AGS, which includes a requirement that:

*‘The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic, and written in an open and readable style’.*

3. The guidance also sets out six sections which must be included within the statement, which in summary are:
  - An acknowledgement of responsibility for a sound system of governance,
  - Reference to and assessment of the effectiveness of the key elements of the governance framework,
  - An opinion on the level of assurance that the governance arrangements can provide,
  - An action plan to deal with significant governance issues,
  - Reference to the resolution of issues from the previous year,
  - A conclusion and commitment to monitoring implementation.
4. The AGS, which has been prepared in accordance with the revised guidance, is included in the statement of accounts being considered by the committee elsewhere on the agenda for this meeting.
5. The Council's governance framework is summarised in the annex to the AGS, and has been in place throughout 2021/22. This committee plays a key role in overseeing the operation of the framework, including:
  - receiving quarterly update reports on the strategic risk register, and operational risk registers by exception,
  - approving the annual Internal Audit plan,
  - receiving quarterly updates on the work of Internal Audit,
  - receiving the annual Internal Audit report,
  - receiving reports from the external auditors,
  - annually reviewing the Code of Corporate Governance and approving amendments to it.

6. This ongoing work of the committee culminates in the consideration of the Annual Governance Statement.
7. Paragraph 20 of the AGS confirms that no significant issues have been identified during the review.
8. The CIPFA/SOLACE guidance outlines 7 core principles for good governance, with a number of supporting sub- principles. The core principles are:
  - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**
  - B. Ensuring openness and comprehensive stakeholder engagement.**
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.**
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**
  - F. Managing risks and performance through robust internal control and strong public financial management.**
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**
9. As stated in the AGS, the Code of Corporate Governance has been reviewed against the revised Framework, and the Code is attached as Appendix A to this report for the Committee to consider. The Code has been updated to reflect changes in job titles arising from the senior leadership review.
10. The Code sets out the Council's commitment to the principles and sub-principles within the new Framework, and also summarises the Council's governance framework arrangements against each of the principles and sub-principles.

#### Appendices

- A: Code of Corporate Governance
- B: Annual Governance Statement

**CHARNWOOD BOROUGH COUNCIL – CODE OF CORPORATE GOVERNANCE**

Charnwood Borough Council is fully committed to the principles of good governance, as set out in the ‘delivering good governance in Local Government Framework 2016 Edition’ (the Framework) produced by CIPFA and SOLACE.

The Council has adopted the core principles and sub-principles as set out in the Framework and which are set out below, together with a summary of how the Council’s governance framework seeks to support and achieve them.

The Committee is responsible for overseeing the Council’s governance framework and arrangements, including reviewing this Code on an annual basis to ensure it remains relevant, up to date, and in line with best practice.

<b>CORE PRINCIPLES (SHOWN IN BOLD)</b>	<b>SUB-PRINCIPLES (SHOWN IN BOLD), AND HOW CHARNWOOD BOROUGH COUNCIL ACHIEVES THEM WITHIN ITS GOVERNANCE FRAMEWORK</b>
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Charnwood Borough Council is accountable not only for how much we spend, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• Codes of Conduct are in place for Members and for Officers</li> <li>• The Member Code of Conduct was approved by full Council, and incorporates the Nolan Principles</li> <li>• There is a Member Conduct Committee which has oversight of the Member Code of Conduct, and which is responsible for ensuring that members behave with integrity</li> <li>• The Member Code of Conduct specifies the requirements for members who have interests in matters under consideration to disclose them and to act appropriately to minimise potential conflicts of interest</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• There is a process in place to deal with complaints that members may have breached the Code of Conduct</li> <li>• There is an agreed and publicised process for people to raise concerns in confidence about ethics and other issues (whistle-blowing policy)</li> </ul> <p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• All recommendations for decisions by members are subject to legal consideration and clearance to ensure that they are lawful and procedurally correct</li> <li>• Suitable statutory officer arrangements are in place (head of paid service, monitoring officer, and s151 officer), together with deputies where required</li> </ul>

	<ul style="list-style-type: none"> <li>• The monitoring officer reports any illegal actions or findings of maladministration to members in accordance with statutory requirements</li> <li>• ‘Whistle-blowing’ arrangements are in place for anyone who wishes to report concerns about corruption, misuse of power, or other serious concerns</li> </ul>
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Local government is run for the public good, and therefore Charnwood Borough Council ensures openness in our activities. Clear, trusted channels of communication and consultation are used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• The Council has adopted a Communications Strategy</li> <li>• Reports to members with recommendations for decisions are supported by comprehensive publicly available reports and background papers, unless there is a justifiable reason why any information should be treated as exempt (ie. kept confidential)</li> <li>• Meetings at which members debate and make decisions are open to the public, unless there is a justifiable reason why the information being considered should be treated as exempt (ie. members of the public and press excluded)</li> </ul> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>• The Council has identified its key partners and has a strategy in place to ensure that we work with them effectively where required to deliver services</li> </ul> <p><b>Engaging comprehensively with individual citizens and service effectively</b></p> <ul style="list-style-type: none"> <li>• The Council’s Communications Strategy sets out when and how we will consult with citizens and service users</li> <li>• Consultation methods are targeted at specific groups where required, and are undertaken using a wide range of access channels</li> </ul>
<p><b>C. Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p> <p>The long-term nature and impact of many of Charnwood Borough Council’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Council’s purpose, contribute to intended benefits and outcomes, and remain within the</p>	<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>• The Council has a four year Corporate Strategy setting out its vision and intended outcomes for the Borough</li> <li>• Each year the Council approved an annual Corporate Delivery Plan setting out in detail how the vision within the Corporate Plan will be delivered, including objectives and relevant performance indicators</li> <li>• Each year the Council updates its medium term financial strategy, which is designed as a financial planning tool to ensure that the outcomes within the Corporate Strategy and Delivery Plan can be delivered within the resources that will be available</li> </ul>



<p>limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> <li>• The Council operates a strategic risk register which identifies the high level strategic risks that could impact on the ability of the Council to deliver its key services and outcomes</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• The Council considers economic, social and environmental impacts when making decisions, including undertaking and publishing equality impact assessments to ensure that fair access to services is achieved</li> </ul>
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p>Charnwood Borough Council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. We have robust decision-making mechanisms to ensure that our defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made are reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>• Councillors making decisions receive detailed reports from officers with recommendations which are supported by an objective and rigorous analysis of options, including the financial and resource implications and the associated risks</li> <li>• Where appropriate consultation is undertaken with citizens and stakeholders, and their feedback is taken into account when making decisions</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>• The Council has a schedule setting out the periods covered by all its key strategies and policies and the dates on which they are due to be reviewed and updated</li> <li>• Where appropriate, during the development and updating of policies and strategies key performance indicators and risks are identified</li> <li>• The medium term financial strategy is reviewed and updated annually to ensure that realistic estimates are available for a sustainable funding strategy</li> </ul> <p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>• The medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> </ul>
<p><b>E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it.</b></p> <p>Charnwood Borough Council needs appropriate structures and leadership, as well</p>	<p><b>Developing the Council’s capacity</b></p> <ul style="list-style-type: none"> <li>• Heads of Service are responsible for reviewing operations, performance and use of assets within their service areas on an ongoing basis to ensure their continuing effectiveness</li> </ul>

<p>as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. The Council must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which the Council operates will change over time, there will be a continuous need to develop our capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<ul style="list-style-type: none"> <li>• The Council's Scrutiny Committees have responsibility for reviewing the Council's services through tools such as benchmarking in order to ensure that outcomes are being achieved efficiently and effectively</li> <li>• The Council has a People Strategy which is designed to ensure its workforce is developed and maintained to face the current and future needs of the Council</li> </ul> <p><b>Developing the capability of the Council's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>• The Constitution sets out the decisions that are delegated to officers and those which are reserved for collective decision making by the relevant committee</li> <li>• The Leader and the Chief Executive have a clear and shared understanding of their respective leadership roles and responsibilities</li> <li>• Officers have regular personal reviews which include an assessment of their ongoing training and development needs, and there is also a corporate training programme to ensure that corporate development needs are identified and delivered</li> <li>• There is a Member Development Member Reference Group of Councillors who oversee the member development programme, which provides regular training and development opportunities for all Councillors</li> <li>• The Council has achieved the East Midlands Member Development Charter, demonstrating its commitment to the importance of training and development for its Councillors</li> <li>• Officers have access to a free and confidential counselling service</li> </ul>
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>• There is a risk assessment framework for all decisions taken by Councillors and by officers under delegated authority, and any risks identified and recorded, assessed and mitigating actions are set out where appropriate</li> <li>• The Council has a two tier risk management system, consisting of a high level strategic risk register which is approved annually by Cabinet and monitored by the Audit Committee, and operational risk registers which are included within service team plans</li> </ul> <p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>• Scrutiny Committees have responsibility for overseeing the Council's performance in delivering its agreed outcomes and targets for key performance indicators, and for</li> </ul>

<p>management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>scrutinising policies and strategies as they are developed and before they are subject to decisions to implement them</p> <ul style="list-style-type: none"> <li>• The Scrutiny Commission has responsibility for pre-decision scrutiny of Cabinet reports</li> <li>• Quarterly performance reports monitoring delivery of the annual Business Plan are produced and are considered by the Senior Leadership Team and by the Finance &amp; Performance Scrutiny Committee</li> </ul> <p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• The Audit Committee has responsibility for regularly reviewing and monitoring the Strategic Risk Register, overseeing the work of external and internal audit, and for reviewing the adequacy of the internal control system</li> <li>• The Audit Committee is independent of Cabinet, and is chaired by an independent person who is not an elected Councillor</li> <li>• The Council has an internal audit team which is staffed by suitably qualified and experienced officers, and which conducts a regular review of risks and internal controls within an annual audit plan</li> </ul> <p><b>Managing data</b></p> <ul style="list-style-type: none"> <li>• The Council has designated the Director of Finance, Governance &amp; Contracts as its Information Security Manager, ensuring that responsibility for the management of data and information security rests at senior management level</li> <li>• The Council has appointed a Data Protection and Information Security Officer</li> <li>• Information and data protection security breaches and incidents are monitored on a quarterly basis by the Corporate Leadership Team</li> </ul> <p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>• All decisions taken by Councillors and by officers under delegated powers are subject to financial review and clearance, with the financial implications of the decisions being recorded</li> <li>• There is a robust system of monitoring and reporting of both revenue and capital budgets and plans, including consideration by the Council's scrutiny function</li> </ul>
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<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the Council plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>• Reports are made available to the public and other stakeholders via the Council’s website, unless they are classed as exempt</li> <li>• The Council has a dedicated page on its website where open data and all information required under the local government data transparency code is readily available</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>• The Council publishes an overall Annual Report each year setting out progress against achieving objectives and key performance measures</li> <li>• The Council also produces and makes available a number of other reports on an annual basis, including the statement of accounts and the annual governance statement, and an report on the work and achievements of the scrutiny function</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>• The Audit Committee has responsibility for ensuring the any recommendations for corrective action made by external audit are acted on, and also for monitoring the implementation of recommendations made by internal audit</li> <li>• The Council welcomes external challenge and reviews, and has achieved several external accreditations including ‘Customer Service Excellence’ and ‘Investors in People’</li> </ul>
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Version History

Compiled: August 2017

Updated: July 2019 (to reflect changes in the Scrutiny structure and the revised risk management framework)

Updated: November 2021 (to reflect changes in the Scrutiny structure and job titles)

Updated: November 2022 (to reflect changes in job titles following a senior leadership review)

## **ANNUAL GOVERNANCE STATEMENT 2021/22**

### **Introduction**

1. This is Charnwood Borough Council's Annual Governance Statement for 2021/22. It provides:
  - An acknowledgement of responsibility for the Council's system of governance;
  - A summary of the assessment of the effectiveness of the Council's governance arrangements;
  - An opinion on the level of assurance that the Council's governance arrangements can provide;
  - An action plan for 2022/23;
  - A summary of progress against actions raised in the previous year's Annual Governance Statement;
  - A statement on conformance with CIPFA's Statement on the Role of the Chief Finance Officer;
  - A conclusion.
2. The Annual Governance Statement will be published on the Council's website as part of the Council's statement of accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, and is compliant with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government 2016 Edition (the Framework).

### **Responsibility For The Governance Framework**

3. Charnwood Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
4. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
5. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework (2016).
6. Key responsibilities within the governance framework are summarised in the table below.

<p><b>Council, Cabinet, Leader</b></p> <ul style="list-style-type: none"> <li>➤ Provide leadership</li> <li>➤ Set, develop &amp; implement policy</li> <li>➤ Ensure that the Corporate Strategy 2020-24 priorities are delivered</li> <li>➤ Develop, approve and implement the Budget &amp; Policy framework</li> <li>➤ Support the Borough's residents and businesses</li> </ul>	<p><b>Leadership &amp; Decision Making</b></p> <ul style="list-style-type: none"> <li>➤ All decision making meetings held in public (except where 'exempt')</li> <li>➤ Decisions published on the Council's website</li> <li>➤ Resources and funding directed as per the priorities of the Corporate Strategy 2020-24</li> </ul>	<p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>➤ Risk registers identify both strategic and operational risks</li> <li>➤ Strategic risks are monitored regularly by the corporate leadership team and by the Audit Committee</li> </ul>
<p><b>Scrutiny and Review</b></p> <ul style="list-style-type: none"> <li>➤ Scrutiny Commission review council policies and decisions, and can hold Cabinet to account</li> <li>➤ Finance &amp; Performance Scrutiny monitor revenue and capital budgets, and performance against targets</li> <li>➤ Audit Committee oversees internal audit and other assurance functions, and external audit reports</li> <li>➤ Member Conduct Committee oversees councillor conduct</li> </ul>	<p><b>Senior and Corporate Leadership Teams (SLT &amp; CLT)</b></p> <ul style="list-style-type: none"> <li>➤ The Chief Executive is the head of paid service and is responsible for leading effective senior and corporate leadership teams</li> <li>➤ SLT comprises the Chief Executive and Directors and provides strategic direction for the council's services</li> <li>➤ CLT comprises SLT plus Heads of Service, and provides operational direction and monitoring</li> <li>➤ The Director of Finance, Governance &amp; Contracts is the s151 officer with statutory responsibility for sound budgeting and financial management arrangements</li> <li>➤ The Head of Governance &amp; Human Resources is the monitoring officer with statutory responsibility for ensuring legality, good governance and promoting high standards of conduct</li> </ul>	

## Review Of The Effectiveness Of The Governance Framework

7. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual Internal Audit report, and also by comments made by the external auditors and other review agencies and inspectorates.
8. A summary of the Council's governance framework is set out in the Annex to this statement. The Council considers that its corporate governance arrangements are effective and support the delivery of the principles of good governance.
9. The Council's statutory officers consist of the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Governance & Human Resources), and the s.151 Officer (Director of Finance, Governance & Contracts). These officers fulfil the required statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly.
10. The Council's Internal Audit service operates according to an annual audit programme which is developed using a risk based approach designed to ensure that key financial systems and significant Council services are audited at appropriate frequencies so that sufficient assurance on adequacy of the internal control environment and risk management arrangements can be provided.
11. The Council's chief audit executive has produced an annual report for 2021/22 which concluded that based upon the work undertaken by Internal Audit during the year, reasonable assurance can be given that the Council's overall framework of governance, risk management and internal control is adequate and effective.
12. Internal Audit identified four areas of limited assurance during the year, relating to Risk Management, Asset Management, Choice Based Lettings, and HRA Electoral Safety. Management have agreed to implement all of the resulting recommendations, and implementation will be monitored by the Internal Audit team.
13. The s151 officer has undertaken a review of the effectiveness of the Council's system of internal control, as required by the Accounts and Audit Regulations 2015. Section 3 of the Regulations state that:

*A relevant authority must ensure that it has a sound system of internal control which—*

*(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*

*(b) ensures that the financial and operational management of the authority is effective; and*

*(c) includes effective arrangements for the management of risk.*

Section 6 of the Regulations requires that:

*A relevant authority must, each financial year; (a) conduct a review of the effectiveness of the system of internal control required by regulation 3.*

14. In conducting his review the s151 officer observed the following matters:
  - The Council has an extant Corporate Strategy and Business Plan, together with other supporting strategies and policies that provide direction and guidance to the effective exercise of its functions and fulfilment of its objectives
  - The Council has well established governance arrangements and protocols that ensure that there is adequate oversight over decision making and that decisions are supported by appropriate legal and financial clearances;
  - Controls over decision making are balanced with use of delegations to ensure that decision making is at the right level and not overly centralised, and can be conducted on a timely basis
  - Financial management of the Council is based on the Financial Regulations and Financial Procedure rules that cover procurement and expenditure matters; these rules are reviewed regularly and overseen by an experienced and well qualified team
  - Financial management and control processes are also underpinned by the internal audit function and the role of Members through the Cabinet, Committee and Scrutiny processes
  - Risk management processes are recorded and managed both at Member level, through the auspices of Cabinet and the Audit Committee, and amongst senior officers through the regular Corporate Leadership Team risk management workshops
  - A strategic risk register is approved annually by Cabinet, and kept under regular review by the Audit Committee and the Corporate Leadership Team
  - The COVID pandemic required the Council to create new systems and processes, particularly around the processing and payment of business and other grants in short order; this was successfully managed and controlled through a mix of pre and post-payment checks led by the internal audit team and the detailed reconciliations of disbursements and receipts (which has continued into the 2022/23 financial year)
  - Generally, in the opinion of the s151 officer the Council member and officer groups, have sufficient independence, experience, capability, capacity and qualifications to ensure that segregation of duties exist, that decisions are adequately supported and robustly challenged.
15. Based on his review, the s151 officer has concluded that overall the Council's system of internal control is effective.
16. Senior managers, and the Audit Committee and Scrutiny Committees are responsible for receiving and considering regular monitoring reports in respect of the risk management framework, the performance management framework, and



the work of Internal Audit. The Audit Committee also receive and consider any reports arising from the work of the external auditors.

17. These arrangements and processes ensure that the Council's corporate governance and internal control arrangements are kept under regular and ongoing review throughout each financial year.
18. Additionally, as part of the process to produce the Annual Governance Statement, a comprehensive review of all sources of evidence, including external review, audit and inspection work undertaken during the year, has been undertaken.
19. The annual audit letter issued by the external auditors (Mazars) for 2020/21 did not identify any significant internal control issues.

### **Assurance Opinion**

20. The Council considers that overall the governance arrangements in place during 2021/22 provided a significant level of assurance, and continue to be fit for purpose.

### **Action Plan For 2022/23**

21. No actions have been identified.

### **Progress Against Actions Raised In The Previous Year's Annual Governance Statement**

22. No actions were identified in the previous Annual Governance Statement.

### **Conformance With The Governance Requirements Of The CIPFA Statement On The Role Of The Chief Finance Officer**

22. The Chief Financial Officer of the Council is the Director of Governance, Governance & Contracts. This role is one of four that comprise the Council's senior leadership team and reports directly to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.
23. The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The efficacy of the control environment can be evidenced through the Council's recent history of financial outturns, and the timeliness and quality of its financial statements and other financial returns.
24. The Chief Financial Officer is the Council's Section 151 Officer (from section 151, Local Government Act 1972) and in accordance with the statutory requirements covering this role has an appropriate accountancy qualification, being a member

of the Institute of Chartered Accountants in England and Wales. The Deputy Section 151 Officer (who is the Council's Head of Finance) is a member of the Association of Chartered Certified Accountants. Both have significant experience in local government. In the view of the Chief Financial Officer, the Council's finance function is considered adequately resourced and contains a mix of staff with appropriate levels of professional qualifications and experience.

25. In the opinion of the Chief Financial Officer the authority's financial management arrangements conform with the requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*.

**Conclusion**

26. The Council is committed to the principles of sound and effective governance, and will continue to monitor implementation as part of the next annual review.

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**Rob Mitchell**  
**Chief Executive**

Date:

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**Councillor Jonathan Morgan**  
**Leader of the Council**

Date:

### **Summary of Charnwood Borough Council's Governance Framework Arrangements**

The key elements of the Council's governance framework are as follows: -

- ◆ The Council's objectives are set out in the Corporate Strategy and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet, Scrutiny committees and officers.
- ◆ A rigorous and robust annual service delivery and team planning process is in place that includes consultation with service users where appropriate, and which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.
- ◆ Policies determined during the financial year are approved by Council or Cabinet as appropriate following thorough consultation with key stakeholders and the local community where appropriate.
- ◆ A corporate complaints procedure is in operation, and is appropriately publicised via the Council's website and other means. All complaints are investigated and corrective action taken to improve processes and procedures where appropriate. The complaints procedure has been subject a scrutiny review, and recommendations for improvements have been implemented.
- ◆ A sound system of internal controls is in place to ensure value for money is obtained and that funds and resources are used appropriately. This includes detailed Financial Regulations, and supporting Financial Procedures, which are reviewed and updated periodically.
- ◆ The Council's constitution sets out the terms of reference for all member committees, including executive and decision making functions, and the scrutiny function.
- ◆ A member/officer protocol is in place which sets out the expectations and processes that are in place to ensure effective and constructive working relationships.
- ◆ A scheme of delegation has been approved and is regularly updated, which clearly sets out which responsibilities have been delegated to officers, and how these delegations should operate and be recorded.
- ◆ Codes of conduct are in place for members and officers, which clearly specify the required standards of conduct and behaviour, and which require the declaration of any personal interests which may conflict with the interests of the Council.
- ◆ Registers are maintained to record any declarations of interest made by members or officers.

- ◆ A 'whistle-blowing' policy is in place for any members, officers or other parties to report suspicions of fraud or other irregularities, and all such reported instances are investigated thoroughly.
- ◆ A Member Conduct Committee is in place to oversee the process for any allegations relating to the behaviour or conduct of members.
- ◆ A Code of Corporate Governance is in place which sets out the Council's approach towards, and requirements for achieving good corporate governance.
- ◆ All Cabinet reports recommending decisions include details of any relevant financial and legal implications, and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.
- ◆ A scrutiny function is in place which has the right to call-in any executive decisions for comment and challenge.
- ◆ A risk management framework has been established under which strategic risks which may cause the Council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing are identified on an annual basis, are approved by Cabinet, and subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Lower level operational risks are identified by the annual service delivery planning process and are monitored on an ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.
- ◆ A regular personal review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.
- ◆ A Member Development Strategy has been approved and there is an ongoing programme of training courses for councillors. An intensive induction programme is in place for new councillors.
- ◆ Thorough and rigorous recruitment and selection processes for officers are in place, and workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.
- ◆ During 2021/22 the scrutiny function consisted of the Scrutiny Commission and the Finance & Performance Scrutiny Committee. Other scrutiny panels are set up to examine issues on a task and finish basis.
- ◆ The Audit Committee has responsibility for overseeing the production of the annual statement of accounts, and for the work of Internal Audit. The committee aims to fulfil the core functions of an audit committee as recommended by the Chartered Institute of Public Finance & Accountancy, and is chaired by an independent person who has appropriate experience and qualifications.

- ◆ The Council has an Internal Audit function which operates in accordance with appropriate requirements and guidance, and which is responsible for providing assurance on the adequacy of internal control and risk management arrangements.
- ◆ The Council has identified all of its significant partnerships, and has undertaken a risk assessment for all of these partnerships, including ensuring appropriate governance arrangements are in place.
- ◆ Appropriate employment policies and procedures are in place to ensure responsibilities to staff are met and that employment legislation is complied with. These include disciplinary and capability policies.
- ◆ Appropriate mechanisms are in place to measure quality of service to users, including use of the 'Govmetric' satisfaction monitoring tool for all major access channels.
- ◆ Appropriate arrangements are in place to respond to 'freedom of information' (FOI) requests in accordance with statutory requirements.
- ◆ Compliance with internal policies and procedures is ensured by various means, including management checks and the work of Internal Audit.

## AUDIT COMMITTEE – 22<sup>nd</sup> November 2022

### Report of the Head of Finance

#### ITEM 6 STATEMENT OF ACCOUNTS 2021/22

##### Purpose of Report

To consider the Council's Statement of Accounts for 2021/22 and approve them for publication.

##### Recommendations

1. That the Statement of Accounts for the year ended 31st March 2022 (attached at Appendix A) be approved and that the Chairman (as Presiding person) be authorised to sign the accounts on behalf of the Audit Committee.
2. That the Letter of Representation, as per Appendix B, be approved for signature by the Chief Financial Officer.

##### Reasons

1 and 2 - To comply with the Accounts and Audit (England) Regulations 2015.

##### Background and Explanation of the Main Features of the Accounts

The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit (England) Regulations 2015 to 'present a true and fair view' of the financial position of the authority.

The Code is based on International Financial Reporting Standards ('IFRS') amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains:

**Narrative Statement** – this sets the scene for the Statement of Accounts, giving the overall economic context, more detailed context relevant to the Council and picking out the main points of note on Revenue and Capital. It also references non-financial performance and risk.

**Statement of Responsibilities** – shows the responsibilities of the Council and Chief Financial Officer for these accounts.

**Comprehensive Income & Expenditure Account** – shows the cost of services and how they were financed.

**Balance Sheet** – shows a snapshot of all the Council's assets and liabilities at the year end, both long and short term.

**Movement in Reserves Statement** – shows the movement in reserves during the year between usable and unusable reserves (the latter being held to store revaluation gains or as adjustments per legislation and/or accounting practice), and the actual change to the reserves after all adjustments.

**Cash Flow Statement** – sets out the flow of cash into and out of the Council.

**Accounting Policies** – technical explanation of main policies and assumptions used in preparing the accounts.

**Notes to the Financial Statements** – these explain in more detail the make-up of the various amounts included in the core statements.

**HRA (Housing Revenue Account) Income & Expenditure Account** - this shows income and expenditure regarding Council dwellings.

**Collection Fund** – sets out the transactions relating to the collection and distribution of Council Tax and National Non- Domestic Rates (NNDR), or Business Rates as they are more commonly known.

**Auditor's Report** – this is the report of the external auditors, Mazars, on the accounts for the year.

**Annual Governance Statement** – this sets out the Council's Governance procedures and reviews their effectiveness.

### Purpose of the Accounts

The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority's finances.

In addition, in order to ensure that the Council is making the best use of its resources Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated and any queries answered.

Basic questions answered by the accounts could include:

What did the authority's services cost in the year of account?

Where did the money come from?

What were the authority's assets and liabilities at the year-end?

The Statement must comply with the Code so that a common pattern can be established across different authorities and, for this reason, it is essential that authorities define individual costs in line with the Service Reporting Code of Practice. There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts are explained below and a Glossary of Terms is shown on page 71 of the Accounts.

### Main Changes for 2021/22

Major differences between the 2020/21 figures and those for 2021/22 are shown in Note 5 on pages 5 and 6 of the accounts as part of the narrative statement

### Statement of Responsibilities for the Statement of Accounts, Corporate Governance and the External Audit Report (page 9)

The Statement of Responsibilities on page 9 underlines the responsibility, conferred by law, on the Section 151 officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.

### Comprehensive Income & Expenditure Account (page 10)

This core statement shows the gross controllable income and expenditure across each service area with a net controllable cost chargeable against the General Fund and HRA for the year and then how these were financed.

The next section provides information on the income and expenditure relating to the council as a whole, i.e., these cannot be allocated to specific services. The following section shows how the Council's net expenditure was financed externally through Council Tax, NDR and General Government Grants with a Surplus on Provision of Services of £11.5m (£13.1m 2020/21). Any revaluation gains and losses on Asset and the Pension Fund are then adjusted underneath this to give a Total (surplus)/deficit Comprehensive Income & Expenditure figure of £62m surplus (£556k surplus 2020/21). How this amount affects the Council's reserves is then explained in the Movement in Reserves Statement on page 14. There is increase to the General Fund Balance of £0.7m (£1.3m increase 2020/21) and HRA £4k reduction in 2021/22 (No movement 2020/21).

### Balance Sheet (pages 11 & 12, and corresponding notes on pages 23 to 59)

This statement is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.

### Assets and Liabilities (PPE Balance Sheet page 11)

Property, Plant and Equipment (Note 10 page 29) – The major movement in the Fixed Assets between the two years was an increase £29.6m being: Council Dwellings £25.8m; relates to a revaluation increases of Council Dwellings, and the purchase of 10 new properties and the disposal/sale of 50 properties, (23 new



properties and disposal/sale of 26 in 2020/21), other land and buildings £1.259m relates to planned improvements to Council buildings including Outwood's visitors centre, Infrastructure Assets £2m being Bedford Square project, Assets Under Construction £1.1m, and a reduction in vehicle, plant, equipment £663k.

Intangible Fixed Assets – this comprises computer software and ancillary costs.

Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.

Current Liabilities – are short term creditors, being amounts due to suppliers within 12 months, provisions are amounts set aside for NDR backdated appeals and bank overdraft. Long-Term Borrowings, over 12 months – this is the £79.19m borrowed in respect of the HRA plus an existing loan of £2m.

Pensions Liability – the £60.3m (£84.7m 2020/21) is calculated each year based on parameters in accordance with Pension valuation IAS 19 and represents the difference in the scheme's assets compared to its liabilities. This is offset by the Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to reduce any deficit over time.

#### Financing of the Assets less Liabilities (page 11)

The above descriptions dealt with the net assets side of the Balance Sheet and these are all supported by various reserves and balances. This is more complicated in a local authority because there are no shareholder funds, or proprietor's funds, as one would have in a commercial enterprise.

The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.

#### Movement in Reserves Statement (page 13)

This shows the movement on the different reserves held by the Council during the financial year. It is analysed between those reserves which are usable by the Council and those which are held for accounting/legislative purposes and are unusable.

#### Consolidated Cash Flow Statement (page 15, and corresponding notes on page 45/46)

This statement shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.

### Housing Revenue Account (pages 58 to 64)

This 'ring fenced' account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation. The HRA contributed £2,945k during 2021/22 into the HRA Financing Fund and £1,038 into the Major Repairs Reserve in the year leaving a balance on the HRA revenue Account £606k 31<sup>st</sup> March 2022.

The HRA Financing Fund has an earmarked reserve fund for future HRA Business Plan needs; the balance at 31<sup>st</sup> March 2022 is £14,575k. The HRA also has a Major Repair Reserve of £4,248k. Total overall HRA Reserves at 31<sup>st</sup> March 2022 £18,823k.

### Collection Fund (pages 65 to 70)

This is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Council, Combined Fire Authority and the Police, as well as to Charnwood. The account represents a quasi 'trust' account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors. The total preceptors Council Tax carry forward surplus at 31<sup>st</sup> March 2022 is £874k (£676k 2020/21) to be re-allocated in future years. Charnwood Borough Councils share of the surplus is £100K. (surplus £77k 2020/21).

The National Non-Domestic Rates (business rates) are collected on behalf of Leicestershire County Council, Combined Fire Authority, central Government and the Council itself. The government sets various proportions and amounts to be paid to the parties and the Collection Fund then reflects the actual position based on the amounts collected and paid out, provisions for bad and doubtful debts, provisions for potential rating appeals and amounts retained to cover the cost of collection and 'disregarded amounts'. The latter relate to certain discounts made locally. The total preceptors NNDR carry forward deficit as at 31<sup>st</sup> March 2022 is £4,595k (deficit £16,833k 2020/21) and will be re-allocated in future years. Charnwood Borough Councils Share of the deficit is £1,838k funded from the NDR Reserve account.

### Mazars Independent Audit Report

This report will be explained by the external auditors.

### Annual Governance Statement 2021/22

This Statement explains the assurance gathering process and considers the wider arrangements supporting a sound corporate governance framework. A separate report to this Committee will set out considerations in respect of this statement in more detail.

The Chief Executive and the Leader of the Council must sign this statement each year following the audit of the accounts.

Officer to Contact:                   Head of Finance  
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Lesley.Tansey@charnwood.gov.uk



**STATEMENT OF ACCOUNTS**

**2021/22**

# Statement of Accounts 2021/22

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## **Narrative Statement**

### Context

The twelve months representing the financial year 2021/22 saw the gradual emergence of the United Kingdom from the COVID-19 pandemic such that by the end of the financial year, most restrictions on day to day life had been lifted. At the time of writing, the most significant impacts of COVID-19 seem to have abated, but it is still with us and case numbers are once again rising. New variants of the virus carry the risk of significant new spikes in infection rates, with the health implications that would entail, although the reintroduction of restrictions on day to day life now appear unlikely.

Although the health impact of COVID generally reduced through the year the Council was still undertaking a wide of activities associated with the pandemic – such as community support, distribution of business grants and increasing homelessness mitigation services. This inevitably displaced some ‘business as usual’ service delivery but compensation in the form of additional grant and new burdens funding did have a favourable effect on Council finances. Many of the Council’s income streams did start to recover such that 2022/23 budgets are set at pre-COVID levels but some service income, such as car parking fees and market stall rentals, continue to lag, possibly reflecting a new ‘normal’ which the Council will need to manage.

The General Fund budget for 2021/22 assumed a £0.8m use of reserves, in broad terms reflecting projected income losses. However, a combination of unbudgeted COVID grants and new burdens funding (c£1m), income being generally above budgeted levels and additional retention of business rates resulted in a net addition to reserves of £0.8m. This undoubtedly positive result improves the General Fund Working Balance at £6.6m, although it may be noted that this is mainly attributable to ‘one-off’ factors and the underlying structural issues with the Council’s budget – uncertain and declining real-term government funding, increasing costs and potential regulatory challenges remain. The increase in reserves provide a welcome additional financial cushion for future financial shocks, and greater ability to invest in the transformational changes required for the Council to become financially sustainable.

Operationally, the Council’s Landlord Services function has faced challenges associated with limits on access to properties arising from COVID and the availability of contractors. However, the associated Housing Revenue Account is in a robust position with reserves totalling £19.4m to cover HRA debt repayment and HRA Capital Investment.

The financial standing of the Council continues to be robust, with reserves held at a sufficient level to meet foreseeable future challenges and reductions in Government funding for local authorities in the medium term. There are good financial management and governance processes and procedures in place which are reviewed regularly by management and the internal audit team. Resources are allocated as part of the annual budget setting process, which considers service pressures and savings on a detailed basis. Overall, the Council’s financial position provides a sound base that enables service delivery in forthcoming years.

### Economic Environment

The wider economic environment is generally important to the social fabric of Charnwood – for jobs and prosperity – and for the Council in terms of income streams, cost pressures and the demand on services.

Statistics show that the UK economy as a whole grew by 7.5% in 2021, the largest gain since the Second World War. However, this was after a 9.4% contraction in 2020, with the UK enduring a larger-than-average hit from COVID-19 and public health restrictions. Interest rates started to increase but remained at historically low levels, and the Council’s experience broadly reflects this relatively benign environment.

The current outlook appears more difficult, with price pressures and tax increases eroding household real incomes, potentially leading to an increase demand for Council services at a time when income generation and local taxation collections become more difficult. These effects will however be mitigated by increasing interest rates which will lead to enhanced returns from treasury operations

### Significant items within the Financial Statements

Factors that impacted key income and expenditure lines (and hence a favourable working balance and reserves) include unbudgeted Covid Grant Income allocated in the year (c£1m), and income exceeding expectations in Planning, Building Control, Commerical Income, Garden Bins and Bulky Waste.

Further details of such items are included in Section 5, Major Items included in the accounts 2021/22.

## Financial Statements

The purpose of the published statement of accounts is to give electors, local taxpayers, members of the Council and other interested parties clear information about the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The aim is to provide users with information that is fair, balanced and understandable. A glossary of terms is included at the end of the document. The statements should inform readers of

- The cost of services provided by the Council in the year 2021/22.
- How services were paid for.
- The Council's assets and liabilities at the year-end and
- The financial performance of the Council.

The following Core Financial statements are also included: -

- The **Comprehensive Income and Expenditure Statement** which shows all of the Council's income and expenditure for the financial year. The top part of the statement shows a breakdown by service and the bottom part relates to transactions and funding at a corporate level, which links the statement to budget monitoring reports that are produced for management throughout the year and are subject to Member scrutiny.
- The **Balance Sheet** which sets out a 'snapshot' of the overall financial position of the Council at 31st March 2022 showing its assets, liabilities and reserves.
- The **Movement in Reserves Statement**. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (i.e. those that arise out of interaction of legislation and proper accounting practice to store revaluation gains or as an adjustment).
- The **Cash Flow Statement** which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties. This also shows whether movements are due to operating activities, new investment or financing activities.
- **Notes to the Core Financial Statements** which give an explanation of key figures within the statements and more detail on the Council's accounting policies and individual transactions.

The following Supplementary Financial Statements and supporting notes are included:-

- **Housing Revenue Account (HRA)** – separately identifies income and expenditure in respect of the Council's statutory landlord function as a provider of social housing.
- **Collection Fund Statement** - shows the transactions in relation to the collection and distribution of Council Tax and National Non-domestic Rates ('NNDR').

## **2. Pension Fund Liability**

Charnwood Borough Council participates in the Local Government Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2022 and this amounted to a £60.3m deficit. This is a decrease of £24.4m on the position at 31st March 2021. Although this liability appears in the Council's Balance Sheet it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants in the current year. However, it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants, Council Tax and National Non-Domestic Rates (business rates)

## **3. Borrowing Facilities and Funding of Capital Expenditure**

The Council has sufficient resources, through both the use of reserves and revenue, to fund General Fund and capital expenditure without needing to borrow. It is expected that this position may change in the short term and if the Council were to borrow then it would be able to obtain funds from the Public Works Loans Board (PWLB), which is part of Central Government, with relatively low rates. There is one old outstanding General Fund loan of £2m which due for repayment in 2024.

The HRA has external loans of £79.19m which arose from the change in the Housing Subsidy system in 2012. These are all with the PWLB and are repayable from 2024 to 2062 with fixed annual interest rates. The annual interest is covered by the HRA's rental income. Both the General Fund and HRA work within treasury parameters agreed each year by Council.

#### 4. General Fund Revenue Outturn Summary 2021/22

Actual 2020/21 £000	GENERAL FUND OUTTURN 2021/22	Original Budget 2021/22 £000	Actual 2021/22 £000	Variance 2021/22 £000
<b>20,386</b>	<b>Net Service Expenditure</b>	<b>18,932</b>	<b>17,078</b>	<b>1,854</b>
182	Revenue Contribution to Capital	0	645	(645)
(309)	NDR LCC Pilot Gain/NDR Net additional Income	0	(387)	387
(652)	NDR Enterprise Zone LLEP contribution	0	0	0
240	Interest Paid	240	230	10
(342)	Less: Interest on Balances	(300)	(281)	(19)
<b>19,506</b>	<b>Total Borough Expenditure</b>	<b>18,872</b>	<b>17,285</b>	<b>1,586</b>
(292)	Contribution to (from) Reinvestment Reserve	0	(96)	96
1,175	Contribution to/(from) Working Balance	(849)	749	(1,598)
143	Contribution to/(from) Working Balance (Collection Fund)	2	2	0
(101)	Contribution to/(from) Growth Fund	0	0	0
857	Contribution to/(from) Other Revenue Reserves	(106)	785	(891)
453	Contribution to/(from) Capital Plan Reserve	0	(524)	524
<b>21,741</b>	<b>Precept Requirement</b>	<b>17,919</b>	<b>18,202</b>	<b>(283)</b>
4,947	NNDR	4,547	4,547	0
7,288	Council Tax Receipts	7,640	7,640	0
1,271	Loughborough Special Levy	1,311	1,311	0
143	Collection Fund Surplus/(Deficit)	2	2	0
4,122	New Homes Bonus	3,000	3,000	0
1,778	DCLG Covid Income Loss Claim	0	275	(275)
2,184	DCLG Covid/Lower Tier Services Grant	1,418	1,418	0
8	Government Grants	0	8	(8)
<b>21,741</b>	<b>Precept Income</b>	<b>17,919</b>	<b>18,202</b>	<b>(283)</b>
	<b>Revenue Reserves Balances</b>			
4,498	<b>Working Balance 1st April</b>	1,820	5,816	(3,996)
1,318	Transfer from General Fund	(847)	751	(1,598)
1,224	Transfer from General Fund to EZ LLEP Creditor Account	0	0	0
(1,224)	Contribution/Payment to the LLEP Fund	0	0	0
0	Business Rates Appeals Adjustments	1,561	0	1,561
<b>5,816</b>	<b>Balance at 31 March</b>	<b>2,534</b>	<b>6,567</b>	<b>(4,033)</b>
883	<b>Reinvestment Reserve 1st April</b>	357	591	(234)
(292)	Transfers From/(to) General Fund	0	(96)	96
<b>591</b>	<b>Balance at 31 March</b>	<b>357</b>	<b>495</b>	<b>(138)</b>
1,980	<b>Capital Plan Reserve 1st April</b>	1,819	2,433	(614)
500	Transfers From General Fund	0	0	0
(47)	Funding of Capital Expenditure	0	(524)	524
<b>2,433</b>	<b>Balance at 31 March</b>	<b>1,819</b>	<b>1,909</b>	<b>(90)</b>
<b>7,346</b>	<b>NDR Deficit /S31/ (Covid) Reserve 1st April</b>	<b>7,346</b>	<b>7,346</b>	<b>0</b>
<b>0</b>	NDR Offset NDR Deficit	<b>0</b>	<b>(4,294)</b>	<b>4,294</b>
<b>7,346</b>	<b>Balance at 31 March</b>	<b>7,346</b>	<b>3,052</b>	<b>4,294</b>
1,158	<b>Other Revenue Reserves 1st April</b>	1,113	2,015	(902)
857	Transferred From/(to) General Fund	(106)	1,328	(1,434)
2,015	<b>Balance at 31 March</b>	<b>1,007</b>	<b>3,343</b>	<b>(2,336)</b>
<b>18,201</b>	<b>TOTAL BALANCES</b>	<b>13,063</b>	<b>15,366</b>	<b>(2,303)</b>



The main purpose of the General Fund Revenue Outturn Summary is to compare the General Fund actual figures to the Original Budget set for 2021/22. This provides a summarised position of the Council's balances held. Please note that the table does not form part of the formal Statement of Accounts.

The Council's General Fund, Net Service Expenditure which relates to all its activities except Housing Revenue Account, was £1,854k lower (8.4%) than the Original Budget of £18,932k. The major variances in Service Expenditure between 2020/21 and 2021/22 are itemised below in paragraph 5, in addition other major variances were:-

- Revenue Contribution to Capital costs of £645k are higher than Budget, these costs relate to ICT capital costs, CCTV Costs, Loughborough Cemetery costs, Bedford square costs funded by Capital Plan Reserve £524k, Reinvestment Reserve £40k and revenue savings £81k in the year.
- NDR Net additional Income £387k above the budget, after setting aside £911k as a creditor being 88% earmarked for the Enterprise Zone LLEP agreement.
- Covid Income Loss claim from DCLG April-June £275k was unbudgeted due to the timing of DCLG notification.
- **The Total revenue reserves balances at 31<sup>st</sup> March 2022 are £15,366k, of which £3,052k relates to the NDR S31 Reserve to cover the estimated NDR Covid Deficit in 2022/23, £951k is earmarked for future Commercialisation Income Losses, £905k balance for the Town Deal fund, £577k S106 Monies to cover maintenance of Open Space sites in future.**

## **5. Major Items in the 2021/22 Accounts**

There are no major changes to the way the accounts have been compiled in 2021/22. The General Fund Net controllable service expenditure of £22.3m in 2020 compared to £18m in 2021/22 is a decrease of £4.3m, 19.2%, this is mainly to do with numerous one off grant income received in 2021/22 related to Covid.

Major differences in the Comprehensive Income and Expenditure Statement between 2020/21 and 2021/22 being:

- Strategic Director; Commercial Development, Assets and Leisure, Capital investment of £25m to purchase four Commercial Properties in the autumn of 2020 created a new income stream for the Council. In addition, the NHS Vaccination centre was set up, both contributed to an Income increase between the two years of £1.3m. In addition a contribution to the Commercialisation Reserve was made of £543k, with a total Commercialisation Reserve balance of £951k to cover future rental losses.
- Head of Customer Experience, expenditure on Rent Allowances to private landlords was £1,153k lower in 2021/22. The Housing element of Universal Credit is gradually replacing Rent Allowance scheme, and this run by the DWP. Rent Rebate costs to Charnwood Borough Council Housing tenants expenditure was £484k lower in 2021/22 also due to Universal Credit scheme.
- Head of Leisure & Culture, net reduction in costs of £1,052k, this is due to Covid19, the Town Hall, Museum, Leisure Centres, Fair, Town Events, Public Toilets and reduced Markets, were all closed in 2020, budgets were reduced in 2021/22 to cover income losses, however services were all reopened part way through 2021/22 including the annual Pantomime which produced a favourable budget.
- Head of Regulatory, Covid19 restrictions limited Car Park income generation, due to closed car parks, free parking given to business holders and 1 hour free parking introduced. Car Parks were re-opened in 2021/22 and income levels were £386k higher than 2020, however they have not returned to budgeted levels. The Car Parks charges are currently under review.
- Head of Planning & Regeneration, net reduction in costs £790k lower in 2021/22 compared to 2020/21, due to additional Income Grant of £909k from DCLG for Towns Fund Deal, increased Planning Charges of £199k and an additional £182k for providing Building Control Services to North West Leicester District Council. Increased agency costs of £280k and consultant fees £234k in 2021/22.
- The HRA net cost of service is £279k lower in 2021/22 than 2020/21. This includes a £673k increase in compliance expenditure as the Covid backlog of work was reduced, offset by £81k reduction in general repairs

and £138k void repairs and £68k Tenancy services. Rents were increased by 1.50% although the additional income was offset by a higher rate of void properties.

- The Council holds two Property Funds being valued at 31<sup>st</sup> March 2022 of £5.398m (£4.664m in 2020/21). Lothbury Property Trust £2.677m (£2.337m in 2020/21) and Hermes Property Funds £2.721m (£2.327m in 2020/21). These are accounted for as a long-term investments on the Balance Sheet as a Financial Instrument Reserve and the revaluation gain £734k (£106k Loss in 2020/21) on the property funds has been accounted for under financing and Investment Income in the Comprehensive Income and Expenditure Statement.
- Net gains on Revaluation of Fixed Assets were £21.525m in 2021/22 compared to a £6.781m gain 2020/21, being £14.744m higher, this relates to a desktop revaluation of assets held by the Council at 31<sup>st</sup> March 2022. The increase is primarily due to the increase in valuation of HRA Housing Stock and other Land and Buildings.
- The Pension Liabilities on the Balance Sheet has decreased from £84.7m to £60.3m, this is due to an actuarial gain in the pension fund of £24.4m, further details are included in Note 33 below.

## 6. Capital Expenditure

For the financial year 2021/22, the Council's capital spending on an accruals basis, totalled £8,792k compared with a final Capital Plan budget of £50,622k the net underspend of £41,830k, represents a £5,460k underspend 10.8% of the programme, however part of the underspend are committed schemes of £36,370k and these will be carried forward to 2022/23.

	2021/22 £'000	%
<b>Capital Expenditure</b>	<b>8,792</b>	<b>100</b>
<b>Financed by:-</b>		
Major Repairs Reserve	2,642	30
Revenue Contributions - General Fund	645	7
Capital Receipts – General Fund	2,667	30
Capital Receipts – HRA	584	7
Capital Grants and Contributions – HRA	292	3
Capital Grants and Contributions – General Fund	1,962	23
	<b>8,792</b>	<b>100</b>

## 7. Provisions

The NDR Provision for bad debt as at 31<sup>st</sup> March 2022 is £1,127k (£987k at 31<sup>st</sup> March 2021) , an increase of £140k using the same basis of 2020/21 and Council Tax Provision for bad debt 31<sup>st</sup> March 2022 is £1,268k (£1,281k at 31<sup>st</sup> March 2021), a decrease of £13k.

## 8. The Council's Finances

The Council's budget for 2022/23 was approved with planned use of working balance reserves of £189k. The Medium Term Financial Strategy (MTFS) for 2023/24 estimates a use of reserves of £2.1m depending on Government Funding streams and this can be covered from the Council's reserves. Efficiencies will be refreshed to ensure long term financial sustainability as part of the next budget setting process and a revised MTFS taken to Cabinet at the same time as the budget. At the time of writing, the intentions of the new government regarding the fairer funding review of local authority are not clear, with significant items such as the retention of business rates and the New Homes Bonus Scheme still under consideration. Changes, will be taken into account, if known, when the next MTFS to 31<sup>st</sup> March 2025 is prepared in late 2022/23.

## **9. Non-Financial Performance**

The Council's objectives are set out in the Corporate Plan and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet and Scrutiny Committees as well as officers. The Corporate Plan and associated quarterly performance monitors and annual performance report are available through the Council's website.

A rigorous and robust annual service delivery and team planning process is in place that includes consultation with service users, which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.

### **Outlook and Risk**

Previous paragraphs have outlined the negative economic conditions which the Council is likely to face in the near future, in particular, those created by the coronavirus outbreak, the economic impacts of Brexit and the cost of living crisis. These factors will impact government finances (and hence the ability to fund public services), which in turn will influence the Council's funding settlements in future years.

This outlook combined with the MTFs structural budget deficit gives rise to further financial challenges with which the Council are already fully engaged in addressing and will reviewed again as part of the budget setting process for 2023/24 and a revised MTFs for 2023/24 once we have notification of the government settlement in the autumn of 2022.

Underpinning these plans are ongoing initiatives targeted at increasing efficiencies, developing commercial opportunities and looking to leverage existing asset and treasury resources.

As noted above, the Council does maintain adequate levels of reserves (and there is confidence that the Council can continue to provide services in a financially sustainable way).

In terms of managing risk, a risk management framework has been established under which strategic risks may cause the Council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing are identified on an annual basis, are approved as reasonable and complete by Cabinet, and are subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Lower level corporate and operational risks are identified by the annual service delivery planning process and are monitored on an ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.

All Cabinet reports recommending decisions include details of any relevant financial and legal implications and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.

## **10. Statement of Authorisation**

The Statement of Accounts were authorised for presentation on 22nd July 2022 by Simon Jackson, Strategic Director of Environmental and Corporate Services and S.151 Officer. All financial events up to and including 22nd July 2022, have been considered in these accounts.

## **11. Preparation of Accounts**

I would like to thank all staff who have been involved in the preparation of these accounts.

## **12. Further Information**

Further information regarding the accounts may be obtained from:

The Head of Financial Services,  
Charnwood Borough Council,  
Southfield Road,  
Loughborough,  
LE11 2TU.

Members of the public have a statutory right to inspect the accounts on deposit for audit purposes and the availability of the accounts for inspection is advertised on the Council's web site at [www.charnwood.gov.uk](http://www.charnwood.gov.uk) and on public notices displayed in the Council Offices.

## **Statement of Responsibilities for the Statement of Accounts**

### **The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director of Environmental and Corporate Services and Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **Chief Financial Officer's Responsibilities**

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

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were 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.

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

**Certified by the S151 Officer:**

SIMON JACKSON  
**Strategic Director of Environmental and Corporate Services**

**Date**

In accordance with section 9 of the Accounts and Audit Regulations 2015 No 234, the Statement of Accounts shall be signed and dated by the Chairman of the Audit committee who presided at the meeting at which approval was given.

**Certified by Chair of Audit Committee**

JANE NELLIST  
**Chair of Audit Committee**

## Comprehensive Income and Expenditure Statement

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

Gross Controllable Expenditure	Gross Controllable Income	Net Controllable Costs		Gross Controllable Expenditure	Gross Controllable Income	Net Controllable Costs
2020/21 £'000	2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000	2021/22 £'000
119	0	119	Strategic Director; Community, Planning & Housing	122	0	122
1,520	(1,059)	462	Head of Strategic & Private Sector Housing	1,674	(969)	705
0	(218)	(218)	Head of Landlord Services	0	(221)	(221)
1,726	(331)	1,395	Head of Neighbourhood Services	1,673	(317)	1,356
3,011	(1,780)	1,231	Head of Planning & Regeneration	3,462	(3,021)	441
2,232	(801)	1,431	Head of Regulatory Services	2,188	(1,187)	1,001
<b>8,608</b>	<b>(4,188)</b>	<b>4,420</b>	<b>Community, Housing, Planning Regeneration Directorate</b>	<b>9,119</b>	<b>(5,715)</b>	<b>3,404</b>
1,995	(1,827)	168	Strategic Director; Commercial Development, Assets and Leisure	1,957	(3,211)	(1,254)
2,389	(416)	1,974	Head of Leisure Services	2,633	(1,710)	923
<b>4,384</b>	<b>(2,242)</b>	<b>2,142</b>	<b>Commercial Development, Assets and Leisure, Directorate</b>	<b>4,590</b>	<b>(4,921)</b>	<b>(331)</b>
8,108	(2,425)	5,683	Head of Waste, Engineering & Open Spaces	8,181	(2,532)	5,649
119	0	119	Strategic Director; Environmental & Corporate Services	122	0	122
256	0	256	Chief Executive's Team	261	0	261
1,055	(18)	1,037	Head of Financial Services	1,285	0	1,285
1,392	(3)	1,388	Organisational Development	1,578	(39)	1,539
29,980	(24,706)	5,274	Head of Customer Experience	28,221	(23,458)	4,763
2,323	(263)	2,060	Head of Strategic Support	1,706	(359)	1,347
<b>43,233</b>	<b>(27,416)</b>	<b>15,817</b>	<b>Environmental &amp; Corporate Services Directorate</b>	<b>41,354</b>	<b>(26,388)</b>	<b>14,966</b>
<b>56,225</b>	<b>(33,846)</b>	<b>22,379</b>	<b>Total General Fund</b>	<b>55,063</b>	<b>(37,024)</b>	<b>18,039</b>
<b>10,694</b>	<b>(21,817)</b>	<b>(11,123)</b>	<b>Housing Revenue Account</b>	<b>11,007</b>	<b>(21,851)</b>	<b>(10,844)</b>
<b>66,919</b>	<b>(55,664)</b>	<b>11,256</b>	<b>Cost of Service</b>	<b>66,070</b>	<b>(58,875)</b>	<b>7,195</b>
		<b>(8,646)</b>	<b>Net Recharges, REFCUS &amp; Capital charges</b>			<b>(1,247)</b>
		3,821	Parish Precepts			4,052
		886	Contribution to Housing Pooled Capital Receipts			723
		385	(Gains)/Loss on Disposal Fixed Assets			(7)
		<b>5,092</b>	<b>Other Operating Expenditure</b>			<b>4,768</b>
		2,941	Interest Payable and similar charges			2,930
		1,467	Pensions Interest Costs and Returns on Assets			1,714
		(388)	Interest and Investment Income			(327)
		603	Investment Properties Change in Fair Value			(641)
		106	(Gains)/Losses Financial instruments Revaluation Property Funds			(734)
		<b>4,729</b>	<b>Financing and Investment Income and Expenditure</b>			<b>2,942</b>
		(8,091)	General Government Grant			(4,871)
		(577)	Capital Grants and Contributions			(1,868)
		(4,427)	Non Domestic Rates Distribution			(5,474)
		(12,381)	Council Tax Income			(13,003)
		(60)	Collection Fund			(25)
		<b>(25,536)</b>	<b>Taxation and non-specific Grant Income</b>			<b>(25,241)</b>
		<b>(13,105)</b>	<b>(Surplus)/Deficit on provision of services</b>			<b>(11,584)</b>
		(6,781)	(Gains)/Losses on revaluation of Fixed Assets			(22,519)
		19,330	Actuarial (Gains)/Losses on pension assets/liabilities			(28,170)
		<b>12,549</b>	<b>Other comprehensive Income and Expenditure</b>			<b>(50,689)</b>
		<b>(556)</b>	<b>Total comprehensive Income &amp; Expenditure</b>			<b>(62,273)</b>

## Balance Sheet as at 31st March 2022

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2021 £'000		Note	31st March 2022 £'000	31st March 2022 £'000
311,274	Council Dwellings	10	337,173	
57,164	Other Land & Buildings	10	58,423	
5,788	Vehicles, Plant & Equipment	10	5,125	
26	Infrastructure Assets	10	2,025	
4,010	Community Assets	10	4,009	
135	Assets Under Construction	10	1,244	
757	Surplus Assets Not Held for Sale	10/11	757	
379,154	<b>Property, Plant and Equipment Total</b>			408,756
279	Heritage Assets	13		279
26,257	Investment Property	11		25,638
4,664	Long Term Investments	14		5,399
156	Intangible Assets	12		180
200	Long Term Debtors	15		1,808
410,710	<b>Non Current Assets (Sub-total)</b>			442,060
11,000	Short -Term Investments	14		25,050
99	Inventories			128
12,553	Short -Term Debtors	15		14,401
(3,836)	Bad Debt Impairments	15		(3,746)
19,826	Cash and Cash Equivalents	16		34,591
39,642	<b>Current Assets (Sub-Total)</b>			70,424
(678)	Bank Overdraft	16		(1,868)
(28,520)	Short-Term Creditors	18		(50,221)
(1,359)	Provisions	19		(1,035)
(30,557)	<b>Current Liabilities (Sub-Total)</b>			(53,124)
0	Long-Term Creditors	18		(1,065)
(81,190)	Long-Term Borrowing, over 12 Months	14		(81,190)
(84,704)	Defined Benefit Pension Scheme Asset/(Liability)	33		(60,370)
(3,882)	Capital Grants Receipts in Advance	28		(4,444)
(169,776)	<b>Long term Liabilities Total</b>			(147,069)
250,019	<b>Net Assets Total</b>			312,292

## Balance Sheet as at 31st March 2022

31st March 2021 £'000		Note	31st March 2022 £'000	31st March 2022 £'000
(9,863)	Capital Receipts Reserve	20		(10,382)
(3,210)	HRA Major Repairs Reserve	7		(4,248)
(11,794)	Revenue Reserves	7		(8,303)
(591)	Reinvestment Reserve	7		(495)
(219)	Capital Grants Unapplied	20		(1,081)
(5,816)	General Fund Balance			(6,567)
(610)	HRA Fund Balance			(606)
(11,630)	HRA Financing Fund	8		(14,575)
<b>(43,733)</b>	<b>Usable Reserves Total</b>			<b>(46,257)</b>
6,816	Collection Fund Adjustment Account	21		1,785
(262,130)	Capital Adjustment Account	21		(269,593)
134	Financial Instruments Revaluation Reserve	21		(601)
84,704	Pension Reserve (Surplus)/Deficit	21		60,370
(36,511)	Revaluation Reserve	21		(58,638)
701	Accumulated Absences Account	21		643
<b>(206,286)</b>	<b>Unusable Reserves Total</b>			<b>(266,034)</b>
<b>(250,019)</b>	<b>Total Reserves</b>			<b>(312,292)</b>

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce 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. These are 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 the Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance, before any discretionary transfers to or from earmarked reserves undertaken by the Council.



<b>Movement in Reserves Statement 2021/22</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Housing Revenue Account</b>	<b>Earmarked Housing Revenue Account Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance at the beginning of the period</b>	(5,816)	(12,385)	(610)	(14,840)	(9,863)	(219)	(43,733)	(206,286)	(250,019)
(Surplus)/Deficit on provision of Services (accounting basis)	(1,042)	0	(10,542)	0	0	0	(11,584)	0	(11,584)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	(50,689)	(50,689)
<b>Total comprehensive income and expenditure</b>	<b>(1,042)</b>	<b>0</b>	<b>(10,542)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,584)</b>	<b>(50,689)</b>	<b>(62,273)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:-</b>									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	3,251	0	3,251	0	3,251
Cash Proceeds	0	0	0	0	(3,770)	0	(3,770)	0	(3,770)
<b>Sub-Total - Adjustments Primarily involving the Capital Receipts Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(519)</b>	<b>0</b>	<b>(519)</b>	<b>0</b>	<b>(519)</b>
<b>Adjustments Primarily involving the Capital grants Unapplied Account:-</b>									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0	0	0	0
Application of Grants to Capital financing transferred to the Capital Grants and Contributions Applied	0	0	0	0	0	(581)	(581)	0	(581)
Transfer to General Fund	0	0	0	0	0	(280)	(280)	0	(280)
<b>Sub-Total - Adjustments Primarily involving the Capital grants Unapplied Account</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(862)</b>	<b>(862)</b>	<b>0</b>	<b>(862)</b>
<b>Adjustments Primarily involving the Major Repairs Reserve:-</b>									
Depreciation	0	0	0	(3,680)	0	0	(3,680)	0	(3,680)
Use of the Major Repair Reserve to finance new capital Expenditure	0	0	0	2,642	0	0	2,642	0	2,642
<b>Sub-Total - Adjustments Primarily involving the Major Repairs Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,038)</b>	<b>0</b>	<b>0</b>	<b>(1,038)</b>	<b>0</b>	<b>(1,038)</b>
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,038)</b>	<b>(519)</b>	<b>(862)</b>	<b>(2,418)</b>	<b>2,418</b>	<b>0</b>
<b>Adjustment between accounting basis and funding basis under regulations:-</b>									
Pension Fund Reserve	(2,977)	0	(859)	0	0	0	(3,836)		
Financial Instrument Reserve	734						734		
General Fund and HRA	583	0	0	0	0	0	583		
Collection Fund Account	23	0	0	0	0	0	23		
NNDR Account new & final renewable energy disregard	5,009	0	0	0	0	0	5,009		
Accumulated Absences Account	42	0	16	0	0	0	58		
Capital Adjustment Account							0		
Upward revaluation	882	0	8,106	0	0	0	8,988		
Downward Revaluation	(14)	0	0	0	0	0	(14)		
GAIN on disposal of fixed assets	74	0	(67)	0	0	0	7		
REFCUS	(1,419)	0	0	0	0	0	(1,419)		
Depreciation	(1,692)	0	0	0	0	0	(1,692)		
Capital Expenditure charged against general fund and HRA balances	644	0	0	0	0	0	644		
Application of Grants to Capital Adjustment Account	2,713	0	403	0	0	0	3,117		
Capital Receipts Reserve	(723)	0	0	0	0	0	(723)		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>3,878</b>	<b>0</b>	<b>7,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,478</b>	<b>(11,478)</b>	<b>0</b>
<b>Net Increase/(Decrease) before transfers to earmarked reserves</b>	<b>2,835</b>	<b>0</b>	<b>(2,942)</b>	<b>(1,038)</b>	<b>(519)</b>	<b>(862)</b>	<b>(2,524)</b>	<b>(59,748)</b>	<b>(62,273)</b>
Transfers to/(from) earmarked reserves	(3,587)	3,587	2,945	(2,945)	0	0	0	-	-
<b>Sub Total Increase/(decrease) in the year</b>	<b>(752)</b>	<b>3,587</b>	<b>4</b>	<b>(3,983)</b>	<b>(519)</b>	<b>(862)</b>	<b>(2,524)</b>	<b>(59,748)</b>	<b>(62,273)</b>
<b>Balance at the end of the period</b>	<b>(6,567)</b>	<b>(8,798)</b>	<b>(606)</b>	<b>(18,823)</b>	<b>(10,382)</b>	<b>(1,081)</b>	<b>(46,257)</b>	<b>(266,034)</b>	<b>(312,292)</b>

<b>Movement in Reserves Statement 2020-21</b>	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Balance at the beginning of the period</b>	(4,499)	(4,122)	(610)	(11,598)	(12,007)	(219)	(33,055)	(216,408)	(249,463)
(Surplus)/Deficit on provision of Services (accounting basis)	3,890	0	(16,995)	0	0	0	(13,105)	0	(13,105)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	12,549	12,549
<b>Total comprehensive income and expenditure</b>	<b>3,890</b>	<b>0</b>	<b>(16,995)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,105)</b>	<b>12,549</b>	<b>(556)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:-</b>									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	2,989	0	2,989	0	2,989
Cash Proceeds	0	0	0	0	(846)	0	(846)	0	(846)
<b>Sub-Total - Adjustments Primarily involving the Capital Receipts Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,144</b>	<b>0</b>	<b>2,144</b>	<b>0</b>	<b>0</b>
<b>Adjustments Primarily involving the Capital grants Unapplied Account:-</b>								0	0
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0	0	0	0
Application of Grants to Capital financing transferred to the Capital Grants and Contributions Applied	0	0	0	0	0	0	0	0	0
Transfer to General Fund	0	0	0	0	0	0	0	0	0
<b>Sub-Total - Adjustments Primarily involving the Capital grants Unapplied Account</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments Primarily involving the Major Repairs Reserve:-</b>								0	0
Reversal of Major Repairs allowance credited to the HRA	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	(3,464)	0	0	(3,464)	0	(3,464)
Use of the Major Repair Reserve to finance new capital Expenditure	0	0	0	3,617	0	0	3,617	0	3,617
<b>Sub-Total - Adjustments Primarily involving the Major Repairs Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>154</b>	<b>0</b>	<b>0</b>	<b>154</b>		
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>154</b>	<b>2,144</b>	<b>0</b>	<b>2,297</b>	<b>(2,297)</b>	<b>0</b>
<b>Adjustment between accounting basis and funding basis under regulations:-</b>									
Pension Fund Reserve	(1,573)	0	(96)	0	0	0	(1,668)		
Financial Instrument Reserve	(106)						(106)		
General Fund and HRA	0	0	0	0	0	0	0		
Collection Fund Account	(83)	0	0	0	0	0	(83)		
NNDR Account new & final renewable energy disregard	(8,825)	0	0	0	0	0	(8,825)		
Accumulated Absences Account	(331)	0	(112)	0	0	0	(442)		
Capital Adjustment Account							0		
Upward revaluation	8,668	0	14,077	0	0	0	22,745		
Downward Revaluation	(9,477)	0	0	0	0	0	(9,477)		
GAIN on disposal of fixed assets	89	0	(474)	0	0	0	(385)		
REFCUS	(1,193)	0	0	0	0	0	(1,193)		
Depreciation	(1,490)	0	0	0	0	0	(1,490)		
Capital Expenditure charged against general fund and HRA balances	182	0	0	0	0	0	182		
Capital grants and contributions unapplied credits to the I&E	0	0	0	0	0	0	0		
Application of Grants to Capital Adjustment Account	1,554	0	204	0	0	0	1,759		
Capital Receipts Reserve	(886)	0	0	0	0	0	(886)		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(13,470)</b>	<b>0</b>	<b>13,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>130</b>	<b>(130)</b>	<b>0</b>
<b>Net Increase/(Decrease) before transfers to earmarked reserves</b>	<b>(9,580)</b>	<b>0</b>	<b>(3,395)</b>	<b>154</b>	<b>2,144</b>	<b>0</b>	<b>(10,678)</b>	<b>10,122</b>	<b>(556)</b>
Transfers to/(from) earmarked reserves	8,263	(8,263)	3,396	(3,396)	0	0	0	-	-
<b>Sub Total Increase/(decrease) in the year</b>	<b>(1,317)</b>	<b>(8,263)</b>	<b>1</b>	<b>(3,243)</b>	<b>2,144</b>	<b>0</b>	<b>(10,678)</b>	<b>10,122</b>	<b>(556)</b>
<b>Balance at the end of the period</b>	<b>(5,816)</b>	<b>(12,385)</b>	<b>(610)</b>	<b>(14,840)</b>	<b>(9,863)</b>	<b>(219)</b>	<b>(43,733)</b>	<b>(206,286)</b>	<b>(250,019)</b>

## Cash Flow Statement

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

2020/21 £'000		2021/22 £'000
(13,105)	<b>Net (Surplus)/Deficit on the provision of services</b>	<b>(11,584)</b>
	<b>Adjustments for non-cash movements</b>	
8,918	Depreciation, Impairment, Amortisation of Non-current Assets	2,962
(1,668)	Net Charges made for Retirement Benefit	(3,836)
(31)	Increase/(Decrease) in Inventories	29
2,212	Increase/(Decrease) in Debtors	25
(11,387)	(Increase)/Decrease in Creditors	(14,633)
(2,116)	Carrying Amount of non-current Assets and non-current Assets held for sale	(4,456)
(6,834)	Other non-cash items charged to the net Surplus or Deficit on Provision of Services	15,101
<b>(10,906)</b>	Adjustments to net Surplus/Deficit for non-cash movements	<b>(4,808)</b>
	<b>Adjustments for items that are Investing or Financing Activities</b>	
3,491	Other Capital Receipts and (Gains)/Loss on Sale non-current Assets	7,306
<b>(20,520)</b>	<b>Net Cash outflows/(inflows) from Operating Activities</b>	<b>(9,086)</b>
31,973	Net Capital Activities	3,753
(2,371)	Net Change in Investments	(2,123)
<b>29,602</b>	<b>Net Cash outflows/(inflows) from Investing Activities (Note 23)</b>	<b>1,630</b>
<b>5,892</b>	<b>Net Cash outflows/(inflows) from Financing Activities (Note 24)</b>	<b>(6,118)</b>
<b>14,974</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(13,575)</b>
34,122	Cash and Cash Equivalents at the beginning of the period	19,148
19,148	<b>Cash and Cash Equivalents at the end of the period (Note 16)</b>	32,723
<b>14,974</b>	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(13,575)</b>

## Accounting Policies

### 1. General Principles

This Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at 31<sup>st</sup> March 2022 year end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audits Regulations 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). 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.

### 2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

#### Debtors and Creditors

The Council's revenue accounts are maintained on an accrual's basis in accordance with the Code. That this relates to sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to repayments of NNDR which are made on a cash basis in the year that the Council is notified of the necessity to refund and, although the amount is outside of the Council's control, a provision has been established to cover the Council's share of such possible refunds.

#### Interest on balances

General Fund interest for the year is accrued and accounted for in the accounts in the relevant period to which it relates. Interest is credited to the Housing Revenue Account based on an average rate of interest earned on the Council's investments during the year.

### 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 investments that mature in no more than 3 months from the Balance Sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow, cash and cash equivalents are shown net of debit amounts with banks that are repayable on demand and form an integral part of the Council's cash management.

### 4. Provisions and Contingent Liabilities

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits and where a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **5. Employee Benefits**

Benefits Payable During Employment - Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, and any bonuses for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## **6. Retirement Benefits**

Most employees of the Council are members of the Local Government Pensions Scheme (the 'Scheme'), administered by Leicestershire County Council, which provides defined benefits to members, earned as employees work for the Council.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, staff turnover etc. and projections of projected earnings for current staff. Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (2.% 2020/21) based on the indicative rate of return on high quality corporate bonds as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years, at the IAS 19 valuation date.

The change in the net pension liability is analysed into seven components:

- Current service cost, which is the increase in liabilities as a result of years of service earned this year and is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for the relevant employees.
- Past service cost, the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment. These costs are part of Non-Distributed Costs.
- Interest cost, which is the expected increase in the present value of liabilities during the year and is debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Expected return on assets is the annual investment return on the Scheme's fund based on the average of the expected long-term return and is credited to the Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments which result from actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited, as appropriate, to the Net Cost of Services as part of Non-Distributed Costs.
- Actuarial gains and losses change to the net pension liability and arise because events have not coincided with assumptions made at the last actuarial valuation or because those assumptions have been updated and these are debited to the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Scheme as the employer's contributions.

Statutory provisions limit the Council to raising council tax to cover the amounts payable to the Scheme in the year. This results in appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits and replace them with debits for cash paid and payable to the Scheme in the year.

## **7. 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 effects 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 has always been applied. Should any material errors be discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 8. Financial Instruments

### Financial Liabilities

Financial Liabilities are initially measured at fair value and are carried in the Balance Sheet at their amortised cost, which is based upon the nature of the liability concerned. 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 value of the liability, multiplied by the effective rate of interest for the instrument. For 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 loan in the agreement.

Gains or losses arising on the repurchase or early settlement of borrowings are debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where, however, the repurchase of borrowing has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

### Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for Sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value, based upon prevailing benchmark market rates for new borrowing. They are subsequently measured and carried on the Balance Sheet at amortised cost. PWLB loan fair value estimates are based upon new borrowing (certainty rate) discount rates. 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, interest is credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a 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. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the investment's original effective interest rate.

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

Available for sale assets are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value in the Balance Sheet. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the surplus or deficit on Revaluation of Available for Sale Financial Assets. Any gains/losses on de-recognition are taken directly to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available For Sale Reserve.

The Council also holds a very small amount of Government stock. This is treated as an Available for Sale asset under the Code. However, these are held at cost in the Balance Sheet as the difference between this and their market value is immaterial to the Council as a whole.

The notes to the financial statements, show this information, where relevant, relating to the appropriate class of assets and liabilities.

## 9. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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 all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **10. Intangible Assets**

Expenditure on 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. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

#### **11. Heritage Assets**

The Council owns heritage assets such as civic regalia, statues, paintings and sculptures. Those valued at £10k or more are included on the Balance Sheet as Heritage Assets. The actual assets are situated in Council premises, parks and squares in Loughborough. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets in that heritage items are reported in the Balance Sheet at insurance valuation.

#### **12. Inventories**

Inventories are included in the Balance Sheet at the latest purchase price.

#### **13. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Statement. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

#### **14. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. No finance leases have been identified and currently all the Council's leases are classified as operating leases.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment.

#### **15. Charges to Revenue for Non-Current Assets**

Service revenue accounts, including support services and trading accounts, are debited with the following amounts 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, if relevant, on non-current assets used by the service, if there are no accumulated gains in the Revaluation Reserve against which they can be written off,
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment or amortisation and therefore these are reversed in the Movement in Reserves Statement on the General Fund Balance.

## 16. Overheads

The costs 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 2021/22. 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, with the exception of:

- 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.

## 17. 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 that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure on routine repairs and maintenance of non-current assets that do not enhance the asset or extend its useful economic life is charged directly to service revenue accounts. The de-minimus level for accounting for property, plant and equipment is £10k.

### Measurement

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- Infrastructure assets, community assets and assets under construction are included in the balance sheet at depreciated historical cost.
- Council dwellings have been valued using the 'Beacon valuation' method, whereby a sample of each category of dwelling is valued and then these valuations are applied to all similar dwellings to arrive at a gross valuation. They are valued at fair value, determined using the basis of existing use value for social housing (EUV-SH).
- Land, operational properties and other operational assets are included in the balance sheet at existing use value, market value or depreciated replacement cost.

Non-specialised operational properties are valued at either existing use or market value. Depreciated replacement cost is used for specialised operational properties and market value for investment properties and surplus assets.

Revaluations of non-current assets take place at five yearly intervals. Annual desktop valuations are carried out with any changes to valuations of plus or minus £10k, to be adjusted for in the interim period, as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

Where decreases in value are identified, they are accounted for by:

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

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.



## Impairment

Non-Current Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

## 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 under construction.

Depreciation is provided using the straight-line method over either the remaining life of the asset or the following periods:

Buildings (where appropriate – including HRA)	15 - 60	years
Infrastructure	20	years
Plant, vehicles and equipment (excluding computers)	7 - 8	years
Computers and software licences	5	years

No item of Property, Plant and Equipment has been identified as having major components whose cost is significant in relation to the total cost of the item; therefore, no separate depreciation calculations are required.

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

## Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is devalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged to Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Receipts from disposals are part of the gain or loss on disposal line in the Comprehensive Income and Expenditure Statement (i.e. netted off against the carrying value of the assets at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as a capital receipt. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

## **18. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. Expenditure to be funded from a reserve is charged to the appropriate service revenue account and reflected in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The relevant amount is then transferred back into the General Fund Balance so that there is no net charge to council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained elsewhere in these Accounting Policies.

## **19. Revenue Expenditure Funded from Capital under Statute**

This is expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset for the Council. This is charged as expenditure to the relevant service revenue account in the year. The cost of this expenditure is met from existing capital resources and 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.

## **20. Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

## **21. Accounting for Council Tax**

The Council Tax income for the year credited to the Collection Fund is the accrued income for the year but regulations determine when it should be released from the Collection Fund to the Council's General Fund or to major preceptors. The amount credited to the General Fund under statute is Council's demand for the year plus or minus its share of the surplus or deficit on the Collection Fund for the previous year. The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this amount and the amount credited to the General Fund is transferred to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Taxpayers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

## **22. Accounting for Business Rates**

The Business Rates income for the year credited to the Collection Fund is the accrued income for the year but regulations determine when it should be released from the Collection Fund to the Council's General Fund or to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of Business Rates for the year from the National Non Domestic Rates (NNDR) 1 return.

The Business Rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR3 return. The difference between this amount and the amount credited to the General Fund is transferred to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Business Ratepayers belongs proportionately to the Council, the major preceptors, and the Government. The difference between the amounts collected on behalf of the major preceptors and Government, and the payments made to them is reflected as a debtor or creditor balance as appropriate.

## **23. Fair Value Measurement of Non-Financial Assets**

The Council's accounting policy for fair value measurement of financial assets is set out in the policy on financial instruments in Note 14. The Council also measures some of its non-financial assets such as investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 – unobservable inputs for the asset.

## Notes to the Financial Statements

### Note 1 Accounting Standards Issued, Not Adopted

There have been no substantial changes to the Council's accounting policies in 2021/22 and, whilst there have been some changes to International Financial Reporting Standards (IFRS), these have either been incorporated in the Financial Statements or they do not apply to the Council. IFRS 16 Leases Accounting Standard has been delayed and therefore not adopted.

### Note 2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

- There is uncertainty about future levels of funding for local government notably issues around welfare reform, localisation of Business Rates and the upcoming Fairer Funding and Spending Reviews. Government have proposed that Councils will get to keep 75% of business rates income in the future, but will also need to take on new responsibilities. The Council has determined that the information regarding this is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- One factor that has had a demonstrable impact in the past few years on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change.
- It is anticipated that no substantial legal claims or appeals will be made against the Council in the next financial year.
- No contracts exist with other bodies which need to be accounted for as a service concession or contain an embedded lease.
- The decision to leave the European Union (EU) was made in 2016/17 and the UK left the EU on 31 January 2020, it is unclear what the implications of withdrawal from the EU might be for this Council and Local Government as a sector.

### Note 3 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the actual results could be materially different from the assumptions and estimates. Major estimates are Pensions, Plant Property and Equipment, Property Funds and provisions in respect of NNDR.

The outbreak of the COVID-19, declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors, as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value.

Asset valuations for the council's property portfolio are based on market prices and are reviewed annually to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2022. In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date the external valuers continued to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base judgements. The valuation of these assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

The carrying value of Property, Plant and Equipment at 31 March 2022 is £405m (£379m 2021).

The Council's net pension liability included in our balance sheet and disclosed at note 33 includes an estimate of the total value of the Council's share of the Leicestershire Pension Fund investment assets. The valuation of the Fund's property investment assets has been impacted by Covid-19 and reported on the basis of material valuation uncertainty per the requirements of VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution

should be attached to the Council's share of the Pension Fund assets. The Council's actuary has estimated that the value of the Council's share of the Pension Fund Property investment assets at 31 March 2022 was £11.5m (£9.9m as at 31<sup>st</sup> March 2021).

Freehold, Leasehold, Property funds, valuation techniques are used to determine the carrying amount. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.

COVID 19 has impacted the Council's ability to generate income. The Council has had to perform additional duties due to the demands placed on Local Government to deliver Community Hubs and Business Rate Grant Support. This has resulted in additional costs, the government has provided the council with grant funding for business support packages to be delivered by the council and other grant funding has been received to support business as a discretionary scheme, hardship support scheme and a COMF (Contained Outbreak Management Fund) budget to further support the Council over the COVID period.

#### **Note 4 Exceptional Items of Income and Expenditure**

There are no Exceptional Items for 2021/22.

#### **Note 5 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for presentation by the S151 Officer on 22nd July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 6 Expenditure and Income Analysed by Nature

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

Restated 2020/21 £'000		2021/22 £'000
	<b>Expenditure</b>	
19,556	Employee Benefits Expenses	19,730
48,557	Other Services Expenses	47,759
259	Net Support Service Recharges	1,543
(8,314)	Depreciation, Amortisation, Impairments	(3,602)
2,941	Interest Payments	2,930
1,467	Net Pension Interest	1,714
3,821	Parish Precepts	4,052
886	Payment to Housing Capital Receipts Pool	723
385	Loss on the Disposal of Assets	(7)
<b>69,558</b>	<b>Total Expenditure</b>	<b>74,842</b>
	<b>Income</b>	
(56,845)	Fees, Charges and Other Income	(60,125)
(388)	Interest and Investment Income	(327)
106	(Gains)/Losses on Revaluation of Property Funds	(734)
(16,868)	Income from Council Tax and Non Domestic Rates	(18,502)
(8,091)	Government Grants and Contributions	(4,870)
(577)	Capital Grants	(1,868)
<b>(82,663)</b>	<b>Total Income</b>	<b>(86,426)</b>
<b>(13,105)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(11,584)</b>

## Note 7 Transfers to/from Earmarked Reserves

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

Revenue Reserves	Balance at 31st March 2021 £'000	Transfers Out £'000	Transfers in £'000	Balance at 31st March 2022 £'000
Reinvestment Reserve	(591)	96	0	(495)
Capital Plan Reserve	(2,433)	524	0	(1,909)
NDR S31 Covid Reserve	(7,346)	4,294	0	(3,052)
Other Reserves	(2,015)	0	(1,327)	(3,342)
<b>Total General Fund</b>	<b>(12,385)</b>	<b>4,914</b>	<b>(1,327)</b>	<b>(8,798)</b>
<b>HRA Financing Fund</b>	<b>(11,630)</b>	<b>0</b>	<b>(2,945)</b>	<b>(14,575)</b>
<b>HRA Major Repairs Reserve</b>	<b>(3,210)</b>	<b>0</b>	<b>(1,038)</b>	<b>(4,248)</b>

## Note 8 Other Income and Expenditure

Other income and expenditure included within the Comprehensive Income and Expenditure Cost of Service are Loughborough Special Expenses and the Building Control Account as detailed below:-

### Loughborough Special Expenses

Loughborough Special Expenses is the town precept comparable to parish precepts. These costs are included within specific service lines in the Comprehensive Income and Expenditure Statement.

There was a credit balance of £2k in 2020/21. However, a debit of £63k was adjusted in the setting of the special expenses levy for 2022/23, leaving a credit balance of £65k to be adjusted for in future years. The 2021/22 credit balance of £126k will be adjusted in the setting of the special expenses levy for 2023/24.

Budget 2020/21 £'000	Actuals 2020/21 £'000	Credit Balance 2020/21 £'000		Budget 2021/22 £'000	Actuals 2021/22 £'000	Credit Balance 2021/22 £'000
1,291	1,289	2	Total Levy	1,335	1,209	126
(20)	(20)	0	Adjustments from Year 2018/19	0	0	0
0	0	0	Adjustments from Year 2019/20	(24)	(24)	0
0	0	0	Council Tax Support Grant	0	0	0
<b>1,271</b>	<b>1,269</b>	<b>2</b>	<b>Amended Total Levy</b>	<b>1,311</b>	<b>1,185</b>	<b>126</b>

### Building Control Account

The Building (Local Council Charges) Regulations 2010 (SI 2010/404) requires the disclosure of information regarding the setting of charges for the administration of the building control function. However, the Building Control Unit cannot charge for building work solely required for disabled persons. The overriding objective is to ensure the chargeable account recovers costs for chargeable functions. The Building Control service have entered into a shared service with North West Leicester District Council from January 2021.

2020/21 £'000		2021/22 £'000
	<b>Chargeable Work</b>	
313	Expenditure	125
(263)	Income	(432)
<b>50</b>	<b>(Surplus)/Deficit</b>	<b>(307)</b>
	<b>Non-Chargeable Work</b>	
231	Expenditure	130
(72)	Income	(157)
<b>159</b>	<b>(Surplus)/Deficit</b>	<b>(27)</b>

## Note 9 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, 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 shows how this expenditure is allocated for decision making purposes between the council's services. Income & Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income & Expenditure Statement.

Net Expenditure Chargeable to Services	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to Services	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
2020/21 £'000	2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000	2021/22 £'000
(4)	4	0	Strategic Director, Community, Planning & Housing	0	0	0
1,076	37	1,113	Head of Strategic & Private Sector Housing	1,131	151	1,282
92	(2)	90	Head of Landlord Services	92	8	100
1,951	125	2,076	Head of Planning & Regeneration	1,058	114	1,172
1,977	511	2,488	Head of Regulatory Services	1,494	(58)	1,436
1,740	104	1,844	Head of Neighbourhood Services	1,627	200	1,827
6,832	779	7,611	<b>Community, Planning &amp; Housing Directorate</b>	5,402	415	5,817
(1,292)	(795)	(2,087)	Strategic Director, Commercial Development, Assets & Leisure	(929)	(649)	(1,578)
2,451	2,042	4,493	Head of Leisure Services	1,714	359	2,073
1,159	1,247	2,406	<b>Community, Assets &amp; Leisure Directorate</b>	785	(290)	495
(6)	6	0	Strategic Director, Environmental & Corporate Services	1	(1)	0
(11)	11	0	Chief Executive's Team	1	(1)	0
(11)	11	0	Organisational Development	1	(1)	0
98	(70)	28	Head of Financial Services	336	(61)	275
2,797	245	3,042	Head of Customer Experience	2,324	350	2,674
2,609	38	2,647	Head of Strategic Support	1,859	158	2,017
6,317	479	6,796	Head of Waste, Engineering & Open Spaces	6,219	1,312	7,531
11,793	720	12,513	<b>Environmental &amp; Corporate Services Directorate</b>	10,741	1,756	12,497
19,784	2,746	22,530	<b>Total General Fund</b>	16,928	1,881	18,809
(9,515)	(10,406)	(19,921)	<b>Housing Revenue Account</b>	(9,276)	(3,583)	(12,860)
10,269	(7,660)	2,609	<b>Cost of Service</b>	7,652	(1,702)	5,949
3,821	1,271	5,092	Other Operating Expenditure	4,052	715	4,767
2,554	2,176	4,730	Financing & Investment Income & Expenditure	2,603	339	2,942
(26,196)	660	(25,536)	Taxation and non-specific Grant Income	(23,348)	(1,893)	(25,241)
(9,552)	(3,553)	(13,105)	<b>(Surplus)/Deficit on provision of services</b>	(9,042)	(2,542)	(11,584)
		(6,781)	(Gains)/Losses on revaluation of Fixed Assets			(22,519)
		19,330	Actuarial (Gains)/Losses on pension assets/liabilities			(28,170)
		12,549	<b>Other comprehensive Income and Expenditure</b>			(50,689)
		(556)	<b>Total comprehensive Income &amp; Expenditure</b>			(66,273)

This note provides a reconciliation of the main adjustments to Net Expenditure chargeable to the General Fund and HRA balances to arrive at the amount in the Comprehensive Income and Expenditure statement.

Adjustments for Capital Purpose	Net Change for Pension Adjustments	Restated Other Differences	Restated Total Adjustments Adjustment between Funding & Accounting Basis		Adjustments for Capital Purpose	Net Change for Pension Adjustments	Other Differences	Total Adjustments Adjustment between Funding & Accounting Basis
2020/21	2020/21	2020/21	2020/21		2021/22	2021/22	2021/22	2021/22
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
0	0	4	4	Strategic Director, Community, Planning & Housing	0	0	0	0
6	16	15	37	Head of Strategic & Private Sector Housing	8	119	24	151
0	(2)	0	(2)	Head of Landlord Services	0	8	0	8
11	22	92	125	Head of Planning & Regeneration	8	61	45	114
459	19	33	511	Head of Regulatory Services	(162)	109	(6)	(59)
9	15	80	104	Head of Neighbourhood Services	9	139	52	200
<b>485</b>	<b>70</b>	<b>224</b>	<b>779</b>	<b>Community, Planning &amp; Housing Directorate</b>	<b>(137)</b>	<b>436</b>	<b>115</b>	<b>414</b>
(822)	0	27	(795)	Strategic Director, Commercial Development, Assets & Leisure	(465)	(182)	(2)	(649)
1,979	35	28	2,042	Head of Leisure Services	232	133	(5)	360
<b>1,157</b>	<b>35</b>	<b>55</b>	<b>1,247</b>	<b>Community, Assets &amp; Leisure Directorate</b>	<b>(233)</b>	<b>(49)</b>	<b>(7)</b>	<b>(289)</b>
0	0	6	6	Strategic Director, Environmental & Corporate Services	0	0	(1)	(1)
0	0	11	11	Chief Executive's Team	0	0	(1)	(1)
0	0	11	11	Organisational Development	0	0	(1)	(1)
5	(94)	19	(70)	Head of Financial Services	8	(63)	(2)	(57)
170	25	50	245	Head of Customer Experience	152	203	(5)	350
6	17	15	38	Head of Strategic Support	7	154	(3)	158
476	53	(50)	479	Head of Waste, Engineering & Open Spaces	699	578	34	1,312
<b>656</b>	<b>1</b>	<b>62</b>	<b>720</b>	<b>Environmental &amp; Corporate Services Directorate</b>	<b>866</b>	<b>872</b>	<b>21</b>	<b>1,760</b>
<b>2,298</b>	<b>106</b>	<b>341</b>	<b>2,745</b>	<b>General Fund Total</b>	<b>496</b>	<b>1,259</b>	<b>129</b>	<b>1,885</b>
<b>(10,614)</b>	<b>96</b>	<b>112</b>	<b>(10,406)</b>	<b>Housing Revenue Account</b>	<b>(4,428)</b>	<b>859</b>	<b>(19)</b>	<b>(3,588)</b>
<b>(8,316)</b>	<b>202</b>	<b>452</b>	<b>(7,660)</b>	<b>Net Cost of Service</b>	<b>(3,932)</b>	<b>2,118</b>	<b>110</b>	<b>(1,704)</b>
				<b>Other Income and Expenditure from Funding Analysis</b>				
		886	886	Contribution to Housing Pooled Capital Receipts			723	723
		385	385	(Gains)/Loss on Disposal Fixed Assets			(7)	(7)
		1,467	1,467	Net Pensions Interest and Costs			1,714	1,714
		603	603	Investment Properties Change in Fair Value			(641)	(641)
		106	106	(Gains)/Losses Financial Instruments			(734)	(734)
		577	577	Revaluation Property Funds			(1,868)	(1,868)
		83	83	Capital Grants and Contributions			(25)	(25)
<b>(8,316)</b>	<b>202</b>	<b>4,560</b>	<b>(3,553)</b>	<b>Adjustments between Funding &amp; Accounting Basis General Fund/HRA Surplus and Comprehensive Income &amp; Expenditure</b>	<b>(3,932)</b>	<b>2,118</b>	<b>(728)</b>	<b>(2,542)</b>
			<b>(9,552)</b>	<b>Net Expenditure Chargeable to General Fund &amp; HRA Balances</b>				<b>(9,042)</b>
			<b>(13,105)</b>	<b>(Surplus)/Deficit on Comprehensive Income &amp; Expenditure Statement</b>				<b>(11,584)</b>



Note 10 Property, Plant and Equipment

<b>Movements in 2021/22</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Plant, Property and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1st April 2021	311,284	57,219	10,036	166	4,044	758	135	383,642
Additions	3,518	392	193	2,001	13	0	1,182	7,299
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19,011	632	0	0	0	0	0	19,643
Revaluation increases/(decreases) recognised in the Provision of Services CAA	6,667	211	0	0	0	0	0	6,878
Derecognition – disposals	(3,297)	(32)	(63)	0	0	0	0	(3,392)
Asset Reclassification	0	73	0	0	0	0	(73)	0
<b>At 31st March 2022</b>	<b>337,183</b>	<b>58,495</b>	<b>10,166</b>	<b>2,167</b>	<b>4,057</b>	<b>758</b>	<b>1,244</b>	<b>414,070</b>
<b>Accumulated Depreciation and impairment</b>								
At 1st April 2021	(10)	(55)	(4,248)	(140)	(34)	(1)	0	(4,488)
Depreciation charge	(3,633)	(817)	(856)	(2)	(14)	0	0	(5,322)
Depreciation written out to the Revaluation Reserve	2,208	771	0	0	0	0	0	2,979
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,425	29	0	0	0	0	0	1,454
Derecognition – disposals	0	0	63	0	0	0	0	63
<b>At 31st March 2022</b>	<b>(10)</b>	<b>(72)</b>	<b>(5,041)</b>	<b>(142)</b>	<b>(48)</b>	<b>(1)</b>	<b>0</b>	<b>(5,314)</b>
<b>Net Book Value at 31st March 2022</b>	<b>337,173</b>	<b>58,423</b>	<b>5,125</b>	<b>2,025</b>	<b>4,009</b>	<b>757</b>	<b>1,244</b>	<b>408,756</b>
<b>Net Book Value at 31st March 2021</b>	<b>311,274</b>	<b>57,164</b>	<b>5,788</b>	<b>26</b>	<b>4,010</b>	<b>757</b>	<b>135</b>	<b>379,154</b>

<b>Movements in 2020/21</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Plant, Property and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1st April 2020	291,305	58,488	5,165	166	3,937	845	59	359,965
Additions	4,029	356	4,977	0	107	0	26	9,495
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,371	(1,116)	0	0	0	(372)	0	5,883
Revaluation increases/(decreases) recognised in the Provision of Services CAA	10,686	(525)	0	0	0	351	0	10,512
Derecognition – disposals	(2,107)	0	(106)	0	0	0	0	(2,213)
Asset Reclassification	0	16	0	0	0	(66)	50	0
<b>At 31st March 2021</b>	<b>311,284</b>	<b>57,219</b>	<b>10,036</b>	<b>166</b>	<b>4,044</b>	<b>758</b>	<b>135</b>	<b>383,642</b>
<b>Accumulated Depreciation and impairment</b>								
At 1st April 2020	(7)	(62)	(3,744)	(137)	(21)	(8)	0	(3,979)
Depreciation charge	(3,415)	(844)	(610)	(3)	(13)	(7)	0	(4,892)
Depreciation written out to the Revaluation Reserve	143	761	0	0	0	14	0	918
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,269	90	0	0	0	0	0	3,359
Derecognition – disposals	0	0	106	0	0	0	0	106
<b>At 31st March 2021</b>	<b>(10)</b>	<b>(55)</b>	<b>(4,248)</b>	<b>(140)</b>	<b>(34)</b>	<b>(1)</b>	<b>0</b>	<b>(4,488)</b>
<b>Net Book Value at 31st March 2021</b>	<b>311,274</b>	<b>57,164</b>	<b>5,788</b>	<b>26</b>	<b>4,010</b>	<b>757</b>	<b>135</b>	<b>379,154</b>
<b>Net Book Value at 31st March 2020</b>	<b>291,298</b>	<b>58,426</b>	<b>1,421</b>	<b>29</b>	<b>3,916</b>	<b>837</b>	<b>59</b>	<b>355,986</b>

## Impairment Losses

The code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other Comprehensive Income and Expenditure Statement.

These disclosures are consolidated in Notes 10 and 12 reconciling movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

## Capital Budgets

At 31st March 2022, the Council had entered into a number of contracts and capital commitments for the construction or enhancement of Property, Plant and Equipment, as well as certain capital grants and contributions in 2022/23. Similar commitments at 31st March 2021 were £49,251k with future year's budgets being £53,449k. The current major commitments are:

	<b>31st March 2022 £'000</b>
Shepshed Bull Ring	1,065
Bedford Square Gateway	1,868
Enterprise Zone	13,000
Town Deal and Regeneration	17,970
Loughborough Town Hall	268
Rothley Parish Council – upgrade Rothley Centre	173
Planned Building Improvements	742
Carbon Neutral Action Fund	1,095
Private Sector Housing and Disabled Facilities Grants	2,734
HRA Decent Homes and Neighbourhoods	11,860
Other Commitments	2,674
	<b>53,449</b>

## Revaluations

There was a full revaluation of the Council's Operational and Non-Operational non housing stock (Land and Property), on 1st April 2019. The valuation report was prepared by G S C Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head and Eve LLP, Third Floor, 55 New Oxford Street, London (the "Valuer"). The valuations were made in accordance with RICS Valuation Standards the Red Book UK Appendix 5 – Valuation of Local Authority Assets. Each land parcel and property has been assessed for the most appropriate method of valuation. The valuation categories used are – open market value, existing use value and depreciated replacement cost. Where the parcel includes a property, this has been valued separately. The value of the site is the sum of the land value and the value of the property. Life expired buildings or infrastructure are given a notional value of one pound. The valuation included an inspection of all assets.

The operational Housing Revenue stock comprising dwellings, shops, garages and a store were valued as at 1st April 2019. The valuations were made by the Valuer in accordance with RICS Valuation Standards the Red Book UK Appendix 5 – Valuation of Local Authority Assets. The dwellings were valued using the Beacon approach. This valuation included:

- an inspection of each beacon property for each archetype group
- research on sales of directly comparable property which took place during the financial year.
- information at local level showing house price movements
- regional and national Indices
- a review of the existing asset groups and archetypes

The dwellings, store, shops and garages are valued on an existing use value.

Council HRA dwellings, shops, garages and stores along with the Council's Operational and Non-Operational non-housing stock (land and property) were revalued at the end of March 2022 on a 'desk top' basis by the Valuer to reflect their fair value as at that time.

### Note 11 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

2020/21 £'000		2021/22 £'000
(59)	Rental Income from Investment Property	(72)
3	Direct Operating expenses arising from investment property	0
<b>(56)</b>	<b>Total</b>	<b>(72)</b>

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

2020/21 £'000		2021/22 £'000
<b>3,685</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>26,257</b>
23,205	Acquisitions	0
(30)	Disposals	(1,260)
(603)	Change in Fair Values	641
<b>26,257</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>25,638</b>

## Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31<sup>st</sup> March 2022 are as follows:

	<b>Quoted prices in active markets for identical assets (Level 1) £'000</b>	<b>Other significant observable inputs (Level 2)  £'000</b>	<b>Significant unobservable inputs (Level 3)  £'000</b>	<b>Fair value as at 31 March 2022  £'000</b>
Investment Land	0	15,488	228	15,716
Investment Properties	0	9,742	180	9,922
Surplus Assets Not Held for Sale	0	757	0	757
<b>Total</b>	<b>0</b>	<b>25,987</b>	<b>408</b>	<b>26,395</b>

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

### Significant Observable Inputs – Level 2

Land, Office, Residential, Industrial and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

### Significant Unobservable Inputs – Level 3

Community Buildings, Sports Ground and Centres assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third-party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Typical valuation inputs which have been analysed in arriving at our Fair Valuations include:

Market Rental and Sale Values

Yields

Void and Letting Periods

Size

Configuration, proportions and layout

Location, visibility and access

Condition

Lease covenants

Obsolescence

## Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

## Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	As at 31st March 2022  £'000	Valuation technique used to measure fair value	Unobservable inputs	Range	Sensitivity
Community Centres	29	Comparative based on limited rental evidence	Rental Value  Yields	£10 - £40 psm  10% - 14%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
Sports Ground and Centres	380	Comparative based on limited rental evidence	Rental Value  Yields	£5,000 - £15,000/ha  8% - 12%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value

**Note 12 Intangible Assets**

The Council accounts for its software purchases 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. There is no internally generated software.

All software assets are given a finite useful life of 5 years. The carrying amount of intangible assets is amortised on a straight-line basis.

**Movement on Intangible Asset balances during the year is as follows:**

2020/21 £'000		2021/22 £'000
	<b>Balance at 1<sup>st</sup> April:</b>	
2,985	Gross carrying amounts	2,875
(2,807)	Accumulated Amortisation	(2,719)
178	<b>Net carrying amount at 1<sup>st</sup> April</b>	156
39	Additions: Purchases	73
(61)	Amortisation for the period	(49)
(149)	Derecognition – disposals	(112)
149	Derecognition – depreciation written out	112
<b>156</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>180</b>
2,875	Gross carrying amounts	2,837
(2,719)	Accumulated Amortisation	(2,657)
<b>156</b>		<b>180</b>

**Note 13 Heritage Assets**

2020/21 £'000		2021/22 £'000
<b>279</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>279</b>
0	Revaluations	0
<b>279</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>279</b>

## Note 14 Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets	Long-Term	Long-Term	Restated Long-Term	Long-Term	Short-Term	Short-Term	Short-Term	Short-Term	Total	Total
	Investment	Investments	Debtors	Debtors	Investments	Investments	Debtors	Debtors		
	March 2021	March 2022	31st March 2021	March 2022	31st March 2021	31st March 2022	March 2021	March 2022	March 2021	March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Long Term Investments	4,664	5,399							4,664	5,399
Short Term Investments	0				11,000	25,050			11,000	25,050
Cash and Cash Equivalents					19,148	32,723			19,148	32,723
Trade Debtors							2,855	3,391	2,855	3,391
Long Term Debtor			200	1,808					200	1,808
<b>Total Financial Assets</b>	<b>4,664</b>	<b>5,399</b>	<b>200</b>	<b>1,808</b>	<b>30,148</b>	<b>57,773</b>	<b>2,855</b>	<b>3,391</b>	<b>37,867</b>	<b>68,371</b>
Financial Liabilities	Long-Term	Long-Term	Long-Term	Long-Term	Short-Term	Short-Term	Short-Term	Short-Term	Total	Total
	Borrowings	Borrowings	Creditors	Creditors	Borrowings	Borrowings	Creditors	Creditors		
	March 2021	March 2022	31st March 2021	March 2022	31st March 2021	31st March 2022	March 2021	March 2022	March 2021	March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost										
External Borrowings	(81,190)	(81,190)							(81,190)	(81,190)
Trade Creditors							(9,378)	(8,597)	(9,378)	(8,597)
Long Term Creditor				(1,065)					0	(1,065)
<b>Total Financial Liabilities</b>	<b>(81,190)</b>	<b>(81,190)</b>	<b>0</b>	<b>(1,065)</b>	<b>-</b>	<b>-</b>	<b>(9,378)</b>	<b>(8,597)</b>	<b>(90,568)</b>	<b>(90,852)</b>

Whilst no amount is shown above there is one long-term 'Loans and Receivables' being:

Investment held on behalf of Newtown Linford Parish Council	Cost Price £	Nominal Value £
Common Investment Fund - High Yield Units	152	180

Charnwood Borough Council holds an investment on Behalf of Newtown Linford Parish Council. There is no current market value for this investment, the last time it was sold in December 2008, its Value was £1,145. Interest on this investment is received and paid over to Newtown Linford Parish Council.

In addition to the above, the Council holds 10.2% of the Ordinary Shares of the Great Central Railway (1986) plc. These cost £261k and the shares are fully paid-up and there is no further liability to pay any more to the company. The company is operated to re-create the best years of steam locomotives and experience mainline railway operation. The company has a non-profit distribution status and its Memorandum and Articles of Association prohibits any distribution to shareholders. As such the shares have no current value and are shown at Nil as an Unquoted Equity Investment at amortised cost.

The Borrowing of £81.19m outstanding is classified as a 'Financial liability at amortised cost' under the Code and requires a fair value to be disclosed where this is different to the carrying amount stated in the Balance Sheet. £2m of these loans has been attributed a fair value of £2.458m (new loan rate) at the date of the Balance Sheet (£2.m in 2020/21) The original loan date in 1984, and although it carries a LOBO (Lender's Option, Borrower's Option) it is unlikely to be called in by the counterparty before the maturity date in 2024. This would only occur if the prevailing interest rate became consistently above 11.625%. Therefore, the risk of replacement is slight. In this event, the Council has access to the Public Works Loan Board funds, or could disinvest surplus cash.

The fair value of the remaining £79.19m is £90.379m (£97.557m in 2020/21) and these loans were taken out to fund a repayment to the government in order to 'buy out' the Council's participation in the old Housing Subsidy



system. All the loans are at fixed rates of interest maturing between 4.5 years and 41.5 years time and the loan interest will be serviced from housing rental income. The Council does not currently intend to pay off any of these loans early and they are therefore held at their face value, which is the same basis as in previous years when the fair value was less than the book value.

The fair value of all the loans is determined by calculating the Net Present Value (NPV) of future cash flows which provides an estimate of the value of payments in the future. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender or the new loan rate in respect of the £79.19m of PWLB loans. The discount/new loan rates were evaluated at between 2.15% and 2.66% by Link Asset Services Ltd, the Council's treasury adviser.

These will be the rates applicable in the market on the date of valuation for an instrument of the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same. Total Interest of £2.696m a year is payable in two instalments on the loans each year and is charged directly to the Comprehensive Income and Expenditure Statement.

Financial Liabilities in Creditors are in respect of various trade creditors and accruals which are classified as financial instruments and are shown at cost.

### **Other Short-Term Investments**

Short-term lending is carried in the Balance Sheet at amortised cost at the Balance Sheet date. Therefore, the material accrued interest at 31st March 2022 is included in the above value for Balance Sheet purposes. Interest received during the year is credited to the Comprehensive Income and Expenditure Statement. There are no costs associated with these transactions.

### **Long-Term Investments**

The Council holds a total at 31<sup>st</sup> March 2022 of £5.399m Long Term Investments (£4.664m in 2020/21) in the Lothbury Property Trust and £2.677m (£2.337m in 2020/21) and in Hermes Property Funds £2.722m (£2.327m as at the Balance Sheet date. These are accounted for as a long-term investments on the Balance Sheet as a Financial Instrument Reserve and the revaluation gain £734k (£106k Loss in 2020/21) on the property funds has been accounted for under financing and Investment Income in the Comprehensive Income and Expenditure Statement.

Income, Expense, Gains and Losses on Financial Instruments

	2020/21			2021/22		
	Financial Assets: Loans and Receivables £'000	Financial Liabilities at Amortised Costs £'000	Total £'000	Financial Assets: Loans and Receivables £'000	Financial Liabilities at Amortised Costs £'000	Total £'000
Interest Expense	0	2,941	2,941	0	2,930	2,930
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>2,941</b>	<b>2,941</b>	<b>0</b>	<b>2,930</b>	<b>2,930</b>
Interest Income	(342)	0	(342)	(327)	0	(327)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>(342)</b>	<b>0</b>	<b>(342)</b>	<b>(327)</b>	<b>0</b>	<b>(327)</b>
Gain on Revaluation	0	0	0	0	0	0
<b>Surplus/deficit arising on revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Gain)/Loss for the Year</b>	<b>(342)</b>	<b>2,941</b>	<b>2,599</b>	<b>(327)</b>	<b>2,930</b>	<b>2,603</b>

**Note 15 Short-Term & Long-Term Debtors**

31st March 2021 £'000		31st March 2022 £'000
	<u>Amounts falling due in one year:</u>	
668	HM Revenue and Customs	515
1,202	Housing Rents	1,166
1,360	Reserved Debtors	2,045
4,129	Sundry Debtors	3,926
671	CBC Net Share of Council Tax Debtors	792
2,838	Council Tax Preceptors Cash Paid in Advance	3,542
0	NNDR With Central Government	1,119
200	Government Departments	171
767	CBC Share of NNDR Arrears	902
575	Leicestershire County Council	201
143	Combined Fire Authority	22
0	Other	0
<b>12,553</b>		<b>14,401</b>

**Short-Term Debtors** - most Debtors are considered to be Financial Instruments and are classified as Loans and Receivables. Statutory debts such as Council Tax and National Non-Domestic Rates are not Financial Instruments. Those that are Financial Instruments are measured at amortised cost at the Balance Sheet date. In effect that is the initial amount less any repayments or accrued interest. The Council does not routinely charge interest on the debtor accounts and impairment is dealt with as set out below. The impairment of these assets is considered in depth when calculating the provision for doubtful debts using the IFRS9 credit model loss and appropriate provision is made which is charged to the Comprehensive Income and Expenditure Statement. There is a general provision for doubtful debts of £3,746k (2020/21 £3,836k).

**Long-Term Debtor** - has two debtors £200k related to a bond payment for Bedford Square Gateway Deed S278 Agreement, and £1,608k Loughborough Campus EZ forward funding grant payment that will be repaid over the next 4 year period.

**Bad Debts Impairments**

The Provision for Bad Debt Impairments are analysed as follows:-

2020/21 £'000		2021/22 £'000
(129)	Bed and Breakfast	(129)
(1,794)	Housing Benefits	(1,719)
(150)	General Fund Other	(131)
(1,357)	Housing Rents	(1,306)
(396)	CBC Share of NNDR Bad/Doubtful Debt	(451)
(10)	General Fund Rent	(10)
<b>(3,836)</b>		<b>(3,746)</b>

## Note 16 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31st March 2021</b>		<b>31st March 2022</b>
<b>£'000</b>		<b>£'000</b>
121	Cash held by the Council	76
19,705	Short-term deposits with approved institutions	34,515
<b>19,826</b>		<b>34,591</b>
(678)	Bank Overdraft	(1,868)
<b>(678)</b>		<b>(1,868)</b>
<b>19,148</b>	<b>Total Cash and Cash Equivalents</b>	<b>32,723</b>

## Note 17 Surplus Assets Held for Sale

The authority does not currently hold any Surplus Assets held for Sale.

## Note 18 Short-Term Creditors

<b>31st March 2021</b>		<b>31st March 2022</b>
<b>£'000</b>		<b>£'000</b>
596	HM Revenue and Customs	711
10,360	Government Departments	25,042
316	Leicestershire County Council	333
635	Housing Rents	706
2,395	Other Sundry Creditors	2,943
6,348	Reserved Creditors	4,948
1,451	Section 106 Developers' Contributions	1,525
598	Enterprize Zone	484
227	CBC Share of Overpaid Council Tax	229
701	Accumulated Absences Account	643
0	NNDR Prepayments	353
3,146	NNDR - Central Government	10,988
1,747	NNDR - Leicestershire Pool	1,316
<b>28,520</b>		<b>50,221</b>

Creditors are regarded as financial instruments for accounting purposes except those in respect of items such as NNDR and payments due to certain government departments. All such items regarded as financial instruments are valued at fair value as at 31st March 2022.

Long Term Creditor of £1,065k relates to a receipt relating to the Town Deal Funds which will be held and paid over to third parties when they fall due, the work is scheduled from 2021/22-2025/26.

## Note 19 Provisions

The Code requires that the accounts clearly differentiate the provisions from the reserves of the Council. Provisions are required for any liabilities of uncertain timing or amounts that have been incurred.

2020/21 £'000		2021/22 £'000
(1,354)	<b>NNDR Provision for Appeals Brought Forward 1<sup>st</sup> April</b>	(1,359)
(5)	<b>Changes to NNDR Provision:</b> Decrease/(Increase) in Provision NNDR Appeals	324
<b>(1,359)</b>	<b>Balance at 31st March</b>	<b>(1,035)</b>

## Note 20 Usable Reserves

### General Fund Balance

Purpose of Reserve: Resources available to meet future running costs for non-housing services. The guideline used by the Council requires a balance to be maintained of at least £2m.

### Housing Revenue Account

Purpose of Reserve: Resources available to meet future running costs for council houses. It is recommended that there is at least £110 per council house dwelling within this reserve. The actual dwelling amount at 31<sup>st</sup> March 2022 was £110 per council house dwelling.

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement, being:- General Fund Balance, General Fund Earmarked Reserves, HRA Balance, HRA Earmarked Reserves in addition to those Usable Reserves below:-

### Usable Capital Receipts Reserve

Purpose of Reserve: proceeds of non-current asset sales available to meet future capital investment.

2020/21 £'000		2021/22 £'000
<b>(12,007)</b>	<b>Balance at 1st April</b>	<b>(9,863)</b>
(845)	General Fund amounts receivable	(1,225)
0	HRA amounts receivable – 1-4-1 receipts	(2,545)
2,989	Amounts applied to finance new capital investments	3,251
<b>(9,863)</b>	<b>Balance at 31st March</b>	<b>(10,382)</b>

## Usable Capital Grants and Contributions Reserve

Purpose of Reserve: proceeds of grants and contributions to meet future capital investment and specific revenue expenditure.

2020/21 £'000		2021/22 £'000
(219)	<b>Balance at 1st April</b>	(219)
0	Capital Grants	(280)
0	Amounts applied to finance new capital investments	(582)
<b>(219)</b>	<b>Balance at 31st March</b>	<b>(1,081)</b>

## Note 21 Unusable Reserves

31st March 2021 £'000		31st March 2022 £'000
6,816	Collection Fund Adjustment Account	1,785
(262,130)	Capital Adjustment Account	(269,593)
134	Financial Instrument Revaluation Reserve	(601)
84,704	Pension Reserve Deficit	60,370
(36,511)	Revaluation Reserve	(58,638)
701	Accumulated Absences Account	643
<b>(206,286)</b>		<b>(266,034)</b>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st 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.

2020/21 £'000		2021/22 £'000	2021/22 £'000
(30,140)	<b>Balance at 1st April</b>		(36,511)
(10,140)	Upward Revaluation of Assets	(24,788)	
3,339	Downward Revaluation of Assets and Impairment	2,167	
0	Accumulated gains on assets sold or scrapped	36	
(6,801)	<b>Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		(22,585)
20	Adjusting amounts written to the Capital Adjustment Account	96	
410	Difference between Fair Value Depreciation and Historical Cost Depreciation	362	
430	<b>Amount written off to the Capital Adjustment Account</b>		458
(36,511)	<b>Balance at 31st March</b>		(58,638)

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling 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. The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

31st March 2021 £'000		31st March 2022	
		£'000	£'000
(248,168)	<b>Balance at 1st April</b>		(262,130)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(9,506)	Charges for Depreciation and Impairment on Non-current Assets	(3,024)	
527	Revaluation losses on Property, Plant and Equipment	14	
61	Amortisation of Intangible assets	49	
1,193	Revenue Expenditure Funded from Capital under Statute	1,420	
	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	4,456	2,915
2,116			
(5,609)			
(410)	Adjusting amounts written out of the Revaluation Reserve		(362)
	Net written out amount of the cost of Non-current Assets consumed in the year		(259,577)
(254,187)	<b>Capital financing applied in the year:</b>		
(2,989)	Use of Capital Receipts to finance new capital expenditure	(3,251)	
(3,617)	Use of Major Repairs Reserve to finance new capital expenditure	(2,642)	
(1,758)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,255)	
0	Statutory provision for the financing of capital investment charged against the General Fund balance	(583)	
(182)	Capital expenditure charged against the General Fund and HRA balances	(644)	
(8,546)			(9,375)
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(641)
603			
(262,130)	<b>Balance at 31st March</b>		(269,593)

### Pension Reserve

The Pension Reserve absorbs the timing differences arising from the 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.



2020/21 £'000		2021/22 £'000
63,706	<b>Balance at 1st April</b>	84,704
19,330	Actuarial (gains) or losses on pension assets and liabilities	(28,170)
5,675	Reversal of items relating to retirement benefits to the Comprehensive Income and Expenditure Statement	8,015
(4,007)	Employers Pension Contributions in the year	(4,179)
<b>84,704</b>	<b>Balance at 31st March</b>	<b>60,370</b>

### Collection Fund Adjustment Account

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

Purpose of Reserve: A separate fund is maintained by billing authorities for the collection and distribution of amounts due in respect of Council Tax and NNDR of which, in-year surpluses and deficits are due to/from precepting authorities in future years. This shows the amount owed (to)/from the Council towards the current Collection Fund balance and Notes to the Collection Fund Statement.

31st March 2021 £'000		31st March 2022 £'000
(2,092)	<b>Balance at 1st April</b>	6,816
	Amounts credited to the Comprehensive Income and Expenditure Statement are different from council tax income calculated for the year in accordance with statutory requirements:	
83	Council Tax	(23)
8,825	NDR Business Rates	(5,008)
<b>6,816</b>	<b>Balance at 31st March</b>	<b>1,785</b>

**Note 22 Cash Flow Statement – Operating Activities** include the following within the Comprehensive Income and Expenditure Statement:-

2020/21 £'000		2021/22 £'000
(388)	Interest Received	(327)
2,941	Interest Paid	2,926
<b>2,553</b>	<b>Cash (Inflow)/Outflow</b>	<b>2,599</b>

**Note 23 Cash Flow Statement – Investing Activities**

2020/21 £'000		2021/22 £'000
33,704	Purchase of Property, Plant, Equipment, Investment Property and Intangible Assets	8,246
221	Other payments for investing activities	1,252
(1,731)	Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(4,493)
(2,592)	Other Receipts for Investing Activities	(3,375)
<b>29,602</b>	<b>Cash (Inflow)/Outflow</b>	<b>1,630</b>

**Note 24 Cash Flow Statement – Financing Activities**

2020/21 £'000		2021/22 £'000
5,892	Net Council Tax/NNDR Debtor and Creditors	(6,118)
<b>5,892</b>	<b>Cash (Inflow)/Outflow</b>	<b>(6,118)</b>

**Note 25 Trading Operations**

The Council's trading operations include Loughborough Market, Shepshed Market, Woodgate Chambers and Museum Cafe. Increased income in 2021/22 is due to the lifting of Covid-19 lockdown restrictions.

2020/21 £'000		2021/22 £'000
(194)	Income	(335)
424	Expenditure	382
<b>230</b>	<b>(Surplus)/Deficit</b>	<b>47</b>

**Note 26 Members Allowances**

The Council paid the following amounts to Members during the year. Members Allowances exclude employer's National Insurance.

2020/21 £'000		2021/22 £'000
374	Salaries/Allowances	361
1	Expenses	1
<b>375</b>		<b>362</b>

## Note 27 Officers' Remuneration

Details of the numbers of Council staff, whose remuneration is greater or equal to £50,000 per annum, grouped in rising bands of £5,000. Remuneration for these purposes includes all sums paid to or receivable by an employee, including expenses allowances, loss of office payments, compensation pay and the money value of any other benefits, but excluding employer's normal pension contributions and any special pension contributions payable due to loss of office.

There are no employees within this category who work part time but whose full time annualised salary is £50,000 or above. Only relevant remuneration bands are shown.

Total Number of Employees 2020/21	Remuneration Band	Total Number of Employees 2021/22
0	£50,000 - £54,999	2
9	£55,000 - £59,999	0
2	£60,000 - £64,999	7
1	£65,000 - £69,999	3
0	£70,000 - £74,999	1
0	£75,000 - £79,999	1
2	£80,000 - £84,999	2
1	£130,000 - £134,999	0
0	£140,000 - £144,999	1

### Details of Remuneration

The Chief Executive and the Directors are shown below, and their remuneration is also included in the previous table for completeness. There are no exit packages relating to senior officers in 2021/22.

Total Remuneration including Pension Contribution 2020/21 £	Post Holder Information (Post Title)	Salary, Fees and Allowances £	Expense Allowances £	Total Remuneration excluding Pension Contribution 2021/22 £	Employers Pension Contribution £	Total Remuneration including Pension Contribution 2021/22 £
176,979	Chief Executive	142,033	0	142,033	48,110	190,143
73,165	Strategic Director of Commercial Development, Assets and Leisure	76,719	0	76,719	25,038	101,757
108,243	Strategic Director of Community, Planning and Housing	83,805	0	83,805	27,389	111,194
108,244	Strategic Director of Environmental and Corporate Services	84,218	0	84,218	27,389	111,607
<b>466,631</b>		<b>386,775</b>	<b>0</b>	<b>386,775</b>	<b>127,926</b>	<b>514,701</b>

## Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2020/21 £'000	Credited to Taxation and Non-Specific Grant Income	2021/22 £'000
(577)	Capital Grants and Contributions	(1,868)
(4,122)	New Homes Bonus	(3,000)
(3,969)	Other Government Grants/(Covid)	(1,871)
<b>(8,668)</b>	<b>Total Credited to Taxation and Non-Specific Grant Income</b>	<b>(6,739)</b>
	<b>Benefit Grants Credited to Services</b>	
(15,103)	Rent Allowance Subsidy	(14,183)
(8,172)	Rent Rebate Subsidy	(7,683)
(401)	Housing Benefit Administration Subsidy	(342)
	<b>Other Grants Credited to Services</b>	
(88)	Crime and Disorder Reduction	(92)
(146)	Localisation of Council Tax	(171)
(109)	Leicestershire County Council Sports and Active Grant	(97)
(38)	Armed Forces Covenant Grant	(38)
(1,181)	Capital Grants and Contributions	(1,248)
(20)	Local Plans	(80)
(102)	Syrian Vulnerable Person Resettlement Scheme	(70)
(101)	Rough Sleepers Grant	0
(221)	Homelessness Prevention Fund	(540)
(70)	Town Fund Deal	(979)
(330)	Next Steps Accommodation – Move On	0
(265)	Sports Council Grant	(185)
(190)	LLEP – Economic Regeneration	0
(121)	DCLG Compliance & Enforcement and Re-open High Streets Safely – Covid19	(300)
0	Brexit Preparation Emergency Plan	(50)
0	New Burdens – Statutory Domestic Abuse	(32)
(59)	Other Government Grants	(72)
<b>(26,717)</b>	<b>Total Grants credited to Services</b>	<b>(26,162)</b>

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year-end are as follows:

<b>31st March 2021</b>	<b>Capital Grants and Contributions - Receipts in Advance</b>	<b>31st March 2022</b>
<b>£'000</b>		<b>£'000</b>
(3,384)	Balance Brought Forward	(3,882)
(498)	S106 Developers Contributions and other Capital Grants and Contributions	(562)
<b>(3,882)</b>	Balance Carried Forward	<b>(4,444)</b>

The Council has a number of revenue grants and contributions that have not yet been recognised as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year-end are as follows:

<b>31st March 2021</b>	<b>Revenue Grants and Contributions - Receipts in Advance</b>	<b>31st March 2022</b>
<b>£'000</b>		<b>£'000</b>
(218)	S106 Developers' Contributions	(219)
(436)	Other Revenue Grants and Contributions	(504)
<b>(654)</b>		<b>(723)</b>

#### **Note 29 External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors.

<b>2020/21 Restated</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
<b>62</b>	Fees payable with regard to external audit services carried out by the appointed auditor	63
13	Fees payable for the certification of grant claims and returns for the year	13
<b>75</b>		<b>76</b>

### **Note 30 Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government**

Central Government has a significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates. It provides a significant proportion of its 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). Grants received from government departments and other grants received in advance are set out in Note 28.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 26. No members of the Council or senior officers undertook any material related party transactions requiring disclosure during 2021/22.

#### **Leicester and Leicestershire Business Rates Pool**

Under the Local Government Finance Act 2012 local authorities are able to retain a proportion of the business rates generated in their area and rather than paying certain amounts to central government, they can create a 'pool' locally.

The Council along with Leicester City Council, Leicestershire County Council, Leicestershire Combined Fire Authority and all other Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2013/14, the Leicester and Leicestershire Pool (LLP). The County Council was the lead authority for the LLP. The Pool was based on a "no better, no worse" position, with District Councils paying any levies into the Pool and any safety net payments being made from the Pool.

The LLP partners decided not to continue with the Pool in 2014/15 but it was started again for the 2015/16 financial year and has continued in successive financial years up to 31<sup>st</sup> March 2022, with the exception of 2019/20 when Pool members participated in a 75% Business Rate Retention pilot and pilot rules applied, with locally agreed arrangements between participants.

#### **Other Public Bodies**

Local Government Pension Scheme is set out in Note 33.

Precepts collected on behalf of other local authorities and bodies are shown in the Collection Fund Statement.

### Note 31 Capital Expenditure and Capital Financing

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

2020/21 £'000		2021/22 £'000
<b>81,820</b>	<b>Opening Capital Financing Requirement</b>	<b>107,205</b>
	<b>Capital Investment</b>	
32,700	Property, Plant and Equipment	7,299
39	Intangible Assets	73
1,193	Revenue Expenditure Funded from Capital under Statute	1,420
	<b>Sources of Finance</b>	
(2,989)	Capital Receipts	(3,251)
(3,617)	Major Repairs Reserve	(2,642)
(1,759)	Government Grants and other Contributions	(2,255)
	<b>Sums set aside from revenue:</b>	
(182)	Direct Revenue Contributions	(644)
0	Minimum Revenue Provision	(583)
<b>107,205</b>	<b>Closing Capital Financing Requirement</b>	<b>106,622</b>
	<b>Explanation of movements in year</b>	
25,385	Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(583)
<b>25,385</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(583)</b>

### Note 32 Termination Benefits

The Council had 6 redundancies in 2021/22 incurring liabilities totalling £190.6k (there were 3 redundancies and 1 settlement agreement in 2020/21 totalling £79.7k). Three of the redundancies were in Customer Services, two were in Property Services and one in the Policy and Green Spaces Development team. None of these employees were Directors.

## Note 33 Defined Benefit Pension Schemes

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

Charnwood Borough Council participates in a defined benefit scheme administered by Leicestershire County Council in accordance with the Local Government Pension Scheme Regulations 1997, as amended. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is reported in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

<b>Comprehensive Income and Expenditure Statement</b>	<b>Restated Local Government Pension Scheme 2020/21 £'000</b>	<b>Local Government Pension Scheme 2021/22 £'000</b>
Current Service cost	4,208	6,299
Past Service costs (including curtailments)	0	2
<b>Financing and Investment Income and Expenditure</b>	<b>1,467</b>	<b>1,714</b>
Net Pensions Interest costs and Expected return on scheme assets		
Total Post Employment Benefit charge to the (Surplus)/ Deficit on the Provision of Services	5,675	8,015
<b>Movement in Reserve Statement</b>		
Reversal of net charges made to the (Surplus)/Deficit for the Provision of Services for post-employment benefits in accordance with the code	(1,668)	(3,836)
<b>Actual amount charged against the General fund balance for pension in the year</b>	<b>4,007</b>	<b>4,179</b>
<b>Actuarial Gains and (Losses) in the year</b>	<b>(19,325)</b>	<b>28,198</b>

There is a £28k Actuarial gain reconciling item in 2021/22; this is due to Charnwood Borough Council's higher pension contributions in year compared to Hymans Valuation Report.



## Pension Assets and Liabilities Recognised in the Balance Sheet.

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

	2020/21 £'000	2021/22 £'000
Fair Value of Employer Assets	135,706	150,681
Present Value of Funded Liabilities	(219,213)	(210,005)
Net (Under)/Over funding in Funded Plans	(83,507)	(59,324)
Present Value of Unfunded Liabilities	(1,197)	(1,046)
Net Asset/(Liability) in Balance Sheet	(84,704)	(60,370)

## Basis for Estimating Assets and Liabilities

The basis for estimating assets and 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 dependent on assumptions about mortality rates, salary levels etc. Leicestershire County Council's Fund Liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

Charnwood Borough Council participates in the Local Government Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2022 and this amounted to £60,370k. This is a decrease of £24,334k on the position at 31st March 2021. Although this liability appears in the Council's Balance Sheet, it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants and Council Tax.

31st March 2021		31st March 2022
% Per Annum	Financial Assumptions:	% Per Annum
2.85%	Rate of Inflation/Pension Increase Rate	3.20%
3.35%	Salary Increase Rate	3.70%
2.0%	Discount Rate	2.70%

Mortality Assumptions:	Males	Females
<u>Longevity at 65 for pensioners</u>		
Current Pensioners	21.5 years	24.0 years
Future Pensioners	22.4 years	25.7 years

**Reconciliation of the Movements in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability**

<b>Assets 2020/21 £'000</b>	<b>Obligations 2020/21 £'000</b>	<b>Net(Liability) /Asset 2020/21 £'000</b>		<b>Assets 2021/22 £'000</b>	<b>Obligations 2021/22 £'000</b>	<b>Net(Liability) /Asset 2021/22 £'000</b>
109,203		109,203	Fair Value of employer assets	135,706		135,706
	(171,705)	(171,705)	Present value of funded liabilities		(219,213)	(219,213)
	(1,204)	(1,204)	Present value of unfunded liabilities		(1,197)	(1,197)
<b>109,203</b>	<b>(172,909)</b>	<b>(63,706)</b>	<b>Opening Position as at 31st March</b>	<b>135,706</b>	<b>(220,410)</b>	<b>(84,704)</b>
	(4,208)	(4,208)	Current Service Cost		(6,299)	(6,299)
	0	0	Past Service Cost (including Curtailments)		(2)	(2)
<b>0</b>	<b>(4,208)</b>	<b>(4,208)</b>	<b>Total Service Cost</b>	<b>0</b>	<b>(6,301)</b>	<b>(6,301)</b>
2,502		2,502	<b>Interest Income on plan assets</b>	2,705		2,705
	(3,969)	(3,969)	Interest Cost on defined benefit obligation		(4,419)	(4,419)
<b>2,502</b>	<b>(3,969)</b>	<b>(1,467)</b>	<b>Total Net Interest</b>	<b>2,705</b>	<b>(4,419)</b>	<b>(1,714)</b>
<b>2,502</b>	<b>(8,177)</b>	<b>(5,675)</b>	<b>Total Defined Benefit Cost Recognised in Profit or (Loss)</b>	<b>2,705</b>	<b>(10,720)</b>	<b>(8,015)</b>
			<u>Cashflows</u>			
816	(816)	0	Plan Participants Contributions	814	(814)	0
3,912		3,912	Employers Contributions	4,065		4,065
90		90	Contributions in respect of unfunded benefits	86		86
(5,408)	5,408	0	Benefits paid	(5,622)	5,622	0
(90)	90	0	Unfunded Benefits Paid	(86)	86	0
<b>(680)</b>	<b>4,682</b>	<b>4,002</b>	<b>Total Cashflows</b>	<b>(743)</b>	<b>4,894</b>	<b>4,151</b>
<b>111,025</b>	<b>(176,404)</b>	<b>(65,379)</b>	<b>Expected Closing Position</b>	<b>137,668</b>	<b>(226,236)</b>	<b>(88,568)</b>
			<u>Remeasurements</u>			
	(43,419)	(43,419)	Changes in financial assumptions		14,374	14,374
	(2,530)	(2,530)	Changes in demographic assumptions		1,176	1,176
	1,943	1,943	Other experience		(365)	(365)
24,681		24,681	Return on assets excluding amounts included in net interest	13,013		13,013
<b>24,681</b>	<b>(44,006)</b>	<b>(19,325)</b>	<b>Total Measurements recognised in Other Comprehensive Income</b>	<b>13,013</b>	<b>15,185</b>	<b>28,198</b>
<b>135,706</b>	<b>(220,410)</b>	<b>(84,704)</b>	<b>Total Expected Closing Position</b>	<b>150,681</b>	<b>(211,051)</b>	<b>(60,370)</b>
135,706		135,706	Fair Value of employer assets	150,681		150,681
	(219,213)	(219,213)	Present value of funded liabilities		(210,005)	(210,005)
	(1,197)	(1,197)	Present value of unfunded liabilities		(1,046)	(1,046)
<b>135,706</b>	<b>(220,410)</b>	<b>(84,704)</b>	<b>Closing Position</b>	<b>150,681</b>	<b>(211,051)</b>	<b>(60,370)</b>

Value of Employers Assets	31st March 2021 £'000	% of Total Assets	31st March 2022 £'000	% of Total Assets
<b>Equity Securities:</b>				
Total Equity Securities	2,363	1%	1,257	0%
<b>Debt Securities:</b>				
UK Government	11,490	8%	7,564	5%
Other	1,758	1%	283	0%
<b>Private Equity</b>	6,258	5%	10,077	7%
<b>Real Estate – UK Property</b>	10,143	7%	11,593	8%
<b>Investment Funds and Unit Trusts:</b>				
Equities	54,504	42%	69,376	46%
Bonds	5,734	4%	0	0%
Hedge Funds	11	0%	0	0%
Commodities	4,800	4%	3,781	3%
Infrastructure	7,137	5%	7,878	5%
Other	27,615	20%	30,951	21%
<b>Derivatives – Foreign Exchange</b>	(173)	0%	312	0%
<b>Cash and Cash Equivalents</b>	4,066	3%	7,609	5%
<b>Closing Balance at 31st March</b>	<b>135,706</b>	<b>100%</b>	<b>150,681</b>	<b>100%</b>

Sensitivity Analysis	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
0.1% Decrease in Real Discount Rate	2%	3,930
1 year increase in member life expectancy	4%	8,442
0.1% Increase in the Salary Increase Rate	0%	389
0.1% Increase in the Pension Increase Rate	2%	3,511

The Sensitivity Analysis above has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

<b>Scheme History</b>	<b>2021/22</b>	<b>2020/21</b>	<b>Restated 2019/20</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Employer Assets	150,681	135,706	109,203	118,315	112,658
Present Value of Defined Benefit Obligation	(211,051)	(220,410)	(172,909)	(195,934)	(175,400)
<b>Surplus/(Deficit)</b>	<b>(60,370)</b>	<b>(84,704)</b>	<b>(63,706)</b>	<b>(77,619)</b>	<b>(62,742)</b>

The liabilities show the underlying commitments that the Council has, in the long run, to pay retirement benefits. The total liability of £60,370k has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit of the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The estimated total employers' contributions for 2023 will be approximately £4,227k.

### **Note 34 Contingent Liabilities and Contingent Assets**

The Council is in a contractual dispute with a supplier. The contractual dispute is still not finalised and therefore no decision has been made. **The Council has a potential material liability but considers the chances does not considers the chances of this crystallising to be remote and has not therefore included any accrual or provision within the financial statements.**

### **Note 35 Nature and Extent of Risks Arising from Financial Instruments**

The Council's activities expose it to a number of risks the main ones being:

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central Finance team, under policies approved by the Council in the annual Treasury Management Strategy Statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as borrowing strategy, investment policy, creditworthiness policy and investment strategy.

#### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's own customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Council has a contract with Link Asset Services Ltd ('LAS') who advise on investment policy and supply credit ratings for use on the day to day management of investments. These criteria are based on such factors as:

- Credit ratings of counter parties, plus
- Credit watches and credit outlooks from credit rating agencies, plus
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings, and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

These ratings will alter throughout the year and various limits are set on the type of investments which can be made. These are based on Specified and Non-Specified investments for local authorities and further inner limits

are set and periodically reviewed as between investments of the same type, such as banks with a similar credit rating. Short term investments are typically rated F1 and amounts with each institution, or group, was limited to a maximum of £18m.

Appropriate checks are made on customers for goods and services based on the size and/or length of contract with them. The Council's maximum exposure in relation to its investments in banks and other financial institutions can rise to over £60m during the year and it cannot be assessed generally as the risk of any institution failing to make interest payments and repay the principal sum will be specific to each individual institution. There is always a potential risk of not recovering investments and this applies to all of the Council's deposits, but there was no evidence at 31st March 2022 that this was likely to crystallise.

The Council does allow credit for some types of service and amounts that are due, but not impaired, included as part of sundry debtors are as follows:

<b>31st March 2021</b>		<b>31st March 2022</b>
<b>£'000</b>		<b>£'000</b>
1,056	Less than three months	1,063
122	Three to six months	16
51	Six months to one year	114
90	More than one year	163
<b>1,319</b>		<b>1,356</b>

### **Liquidity Risk**

The Council needs to manage cash flow to have sufficient funds to pay debts when due. This is done by investing surplus cash when available and by arranging investments to cover the expected liability dates. The Council works to a balanced budget in accordance with legislation with a reserve of revenue balances to manage the cash flow. This is continually changing during the year as creditors and debtors accounts mature. The Council always has access to borrowing through the Public Works Loan Board. Council borrowing, if required, is secured on the revenues of the Council. The Council, through its counterparty policy, also seeks to ensure that each counter party is of sufficient size to be able to repay the amounts loaned on the due date.

The Council has investments in Lothbury Property Fund with a value of £2.677m (£2.337m in 2020/21) and Hermes £2.721m (£2.327m in 2020/21). Whilst this is intended to be a longer-term investment redemption notices are settled quarterly therefore can be recalled on this basis. IFRS9 fair value of investments, the CIPFA statutory override applies for five years from 1<sup>st</sup> April 2018 and any impact of unrealised fair value movements are disclosed in an unusable financial instruments reserve.

### **Market Risk**

The Council is exposed to changes in the interest rate on one of its borrowings. This £2m borrowing is at a high interest rate and it is not anticipated that interest rates will reach this level in the short to medium term, so effectively rendering this rate as fixed. The remainder of the Council's borrowings are at fixed interest rates and do not contain a market risk.

In-house lending is mainly for cash flow purposes and is all for under two years. This lowers risk but prevents the strategic longer-term lending which would help to mitigate the variations in interest rates. The interest rates move in cycles and the Council clearly receives lower interest receipts at the bottom of the cycle. This is managed by having a Treasury Strategy in place that forecasts the movements in rates and therefore allows the budget to be informed of the expected interest receipts so that spending plans are not based on unrealistic interest receipt assumptions. Based on the Short-Term investments at Balance Sheet date of £25m, a 1% change in interest rate would equate to £251k higher or lower receipt to the Council in revenue.

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

## Supplementary Statements and Notes

### HRA Income and Expenditure Statement

The Housing Revenue Account reflects a statutory obligation under legislation to account separately for local council housing provision. The Account is “ring-fenced” and has to be self-financing. The costs of HRA activities, not met by subsidy or other income, are met by the rents payable and deficits on the HRA cannot be made good by the council taxpayer.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account.

2020/21 £'000		Note	2021/22 £'000
	<b>Expenditure</b>		
6,020	Supervision and Management		6,293
5,562	Repairs and Maintenance		6,169
652	Rents, Rates, Taxes and other charges		749
(10,613)	Depreciation/Revaluation increase/impairment of non-current assets	2	(4,427)
18	Debt management costs		10
175	Movement in the allowance for bad debts (not specified by the Code)		96
1,814	<b>Total Expenditure</b>		<b>8,890</b>
	<b>Income</b>		
(20,596)	Dwellings	1	(20,636)
(412)	Non-dwelling rents		(348)
(649)	Charges for Services and Facilities		(714)
(115)	Contributions towards expenditure		(115)
(45)	Other Income		(38)
(21,817)	Total Income		(21,851)
(20,003)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(12,961)
82	HRA services' share of Corporate and Democratic Core		100
(19,921)	<b>Net Cost for HRA Services</b>		<b>(12,861)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(205)	Capital grants and contributions receivable		(403)
474	Loss on disposal of HRA non-current assets		67
(45)	Interest and investment income		(45)
2,702	Interest Payable		2,699
<b>(16,995)</b>	<b>Net Cost/(Income) of HRA Services</b>		<b>(10,543)</b>

### Movement on the HRA Statement

2020/21 £'000		2021/22 £'000
(610)	Balance on the HRA at the end of the previous year	(610)
(16,995)	Surplus for the year on the HRA Income and Expenditure Statement	(10,543)
13,695	Adjustments between accounting basis and funding basis under statute	8,458
(3,300)	Net increase before transfers to or from reserves	(2,083)
(3,300)	Transfers to reserves	(2,087)
0	Decrease in year on the HRA	4
(610)	Balance on the HRA at the end of the current year	(606)

### Reconciling Items for the Statement of Movement on the HRA Balance

2020/21 £'000		Note	2021/22 £'000
	<b>Adjustments between accounting basis and funding basis under statute</b>		
(474)	Loss on sale of HRA non-current assets		(67)
(112)	Accumulated Absences Account		16
204	Reversal of Capital Grants and Contributions		403
14,077	Reversal of Gain on Revaluation		8,106
13,695			8,458
	<b>Transfers (to) or from reserves</b>		
(96)	HRA share of contributions to/(from) the Pension Reserve	7	(859)
3,396	Transfer to/(from) the Housing Financing Fund	8	2,946
(3,300)			2,087

## Notes to the Housing Revenue Account

### Note 1 Gross Rents

Gross rent due in the year, after allowance is made for empty properties, was £20,636k. The rent loss caused by empty properties was 4.90% for 2021/22 compared with 3.88% in 2020/21. The average rent for 2021/22 on a 52 week basis was £76.05 (£74.73 in 2020/21).

#### Rent Arrears

2020/21 £'000		2021/22 £'000
677	Arrears at 31st March:	681
411	Current Tenants	381
6	Former Tenants	1
	Garages and Shops	
<b>1,094</b>		<b>1,063</b>
5.79%	Arrears & court costs as % of gross debit	5.60%
98	Court Costs	93
163	Rent Write-off/irrecoverable	148
8	Rechargeable Repairs Write-off/irrecoverable	33

A Provision for Bad Debts has been made in the accounts in accordance with the requirements of the CIPFA Code of Practice. The provision includes an element in respect of rent rebate overpayments. Rent rebates were transferred to the General Fund on 1st April 2004. This provision relates to overpayments made prior to that date which were financed by the HRA. Landlord Services rechargeable repairs relates to a provision for bad debts where damage to HRA property has been recharged to its perpetrators.

#### Bad Debt Provision

31st March 2021 £'000		31st March 2022 £'000
1,192	Rent	1,156
68	Overpaid Rent Rebate	67
71	Landlord Services rechargeable repairs	46
26	Leaseholder Charges	37
<b>1,357</b>		<b>1,306</b>



## Note 2 Depreciation Charge and Capital Credit

Total Capital Financing Charges of £10k was debited to the HRA in 2021/22 and £18k in 2020/21 in accordance with the Item 8 determinations for the year. Depreciation Charge is analysed below: -

2020/21 £'000		2021/22 £'000
3,415	Depreciation:	
34	Dwellings	3,633
8	Garages and Shops	34
7	Plant, Vehicles and Equipment	8
	Intangibles	5
<b>3,464</b>		<b>3,680</b>
(14,077)	Net Revaluation increase of non-current assets	(8,107)
<b>(10,613)</b>		<b>(4,427)</b>

## Note 3 Housing Stock

The Council was responsible for managing 5,505 HRA dwellings as at 31st March 2022. This excludes one shared ownership dwelling, which is shared on a 50% equity basis. The stock was made up as follows: -

Number of Dwellings 31st March 2021		Number of Dwellings 31st March 2022
2,705	Flats/Maisonettes	2,692
2,840	Houses/Bungalows	2,813
<b>5,545</b>		<b>5,505</b>

The change in stock can be summarised as follows:-

Number of Dwellings 31 March 2021		Number of Dwellings 31 March 2022
<b>5,548</b>	<b>Stock at 1st April</b>	<b>5,545</b>
23	Add: New properties, acquisitions and Appropriations	10
(26)	Property Sales	(50)
<b>5,545</b>	<b>Stock at 31st March</b>	<b>5,505</b>

On 31st March 2022 there were 9 void properties withheld from letting (9 at 31st March 2021) for major refurbishment. Two HRA properties are being used as community centres on a temporary basis. The figure of 5,505 represents the actual HRA dwelling stock the Council owns.

The dwellings are classified as operational assets within the Housing Revenue Account. In addition, there was no movement to the number of non-dwelling assets which were 818 garages, 13 shops and 1 store in 2021/22.

**Note 4 Balance Sheet Value of Council's Housing Stock**

31st March 2021 £'000		31st March 2022 £'000
311,274	Dwellings	337,173
	Other land and buildings	
4,036	Garages	4,034
1,418	Shops and Store	1,412
<b>316,728</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>342,916</b>

Dwellings, Garages, Shops and Stores are all Operational Assets. There are no Non-Operational Assets.

**Vehicles, Plant and Equipment**

31st March 2021 £'000		31st March 2022 £'000
36	Balance at 1 <sup>st</sup> April	28
0	Additions: Purchases	0
(8)	Depreciation	(8)
<b>28</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>20</b>

**Intangibles**

31st March 2021 £'000		31st March 2021 £'000
26	Balance at 1 <sup>st</sup> April	18
0	Additions: Purchases	0
(8)	Depreciation	(4)
<b>18</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>14</b>

The Existing Use Value – Social Housing on 1st April 2021 was £311,283k. The vacant possession value of dwellings as at 1st April 2021 was £741,150k. The difference between the vacant possession value and Balance Sheet value of dwellings within the Housing Revenue Account shows the economic cost to government of providing council housing at less than open market rents.

## Note 5 Summary Total of Capital Expenditure and Receipts

Housing capital expenditure during the financial year was £3,518k.

Capital expenditure is shown as follows:-

2020/21 £'000		2021/22 £'000
4,026	Capital Expenditure Financed By:	3,518
3,617	Major Repairs Reserve	2,642
204	Other Capital Contributions	14
0	Section 106	278
205	HRA Capital Receipts	584
<b>4,026</b>		<b>3,518</b>

Total capital receipts from the sale of HRA assets were £3,331k as follows:-

2020/21 £'000		2021/22 £'000
1,679	Council House Sales	3,396
(34)	Less: Administration costs	(65)
1,645	Net Council House Sales	3,331
0	Reclaimable Discount from Council House Sales	0
<b>1,645</b>		<b>3,331</b>

## Note 6

### Major Repairs Reserve

2020/21 £'000		2021/22 £'000
<b>(3,364)</b>	<b>Balance at 1st April</b>	<b>(3,210)</b>
(3,463)	Transfer to Major Repairs Reserve	(3,680)
3,617	Capital Expenditure funded from Major Repairs Reserve	2,642
<b>(3,210)</b>	<b>Balance at 31st March</b>	<b>(4,248)</b>

### Note 7 Pension Fund

In accordance with IAS19, Accounting for Retirement Benefits, accounting adjustments have been made in the Housing Revenue Account to report pension liabilities. In 2021/22, this represented an increase of £859k to net cost of service compared to an increase of £96k in 2020/21.

### Note 8 HRA Financing Fund

<b>2020/21 £'000</b>		<b>2021/22 £000</b>
(8,234)	<b>Balance as at 1<sup>st</sup> April</b>	(11,630)
(3,396)	Contribution to Financing Fund	(2,946)
<b>(11,630)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>(14,576)</b>

## Collection Fund Statement 2021/22

Business Rates 2020/21 £'000	Council Tax 2020/21 £'000	Total 2020/21 £'000		Note	Business Rates 2021/22 £'000	Council Tax 2021/22 £'000	Total 2021/22 £'000
0	(106,989)	(106,989)	<b>Income</b>				
0	(848)	(848)	Council Tax Receivable	2	0	(113,877)	(113,877)
(28,407)	0	(28,407)	Covid 19 Discretionary Grant from General Fund			(360)	(360)
(28,407)	(107,837)	(136,244)	Business Rates Receivable	3	(41,987)	0	(41,987)
					(41,987)	(114,237)	(156,224)
			<b>Expenditure</b>				
			<b>Apportionment of Previous Year</b>				
			<b>Surplus/(Deficit)</b>				
264	0	264	Central Government		(8,686)	0	(8,686)
591	143	734	Charnwood Borough Council		(6,496)	2	(6,494)
741	884	1,625	Leicestershire County Council		(735)	13	(722)
0	153	153	Leicestershire Police and Crime Commissioner		0	2	2
16	46	62	Combined Fire Authority		(161)	1	(160)
1,612	1,226	2,838			(16,078)	18	(16,060)
			<b>Precept, Demands and Shares</b>				
23,143	0	23,143	Central Government		22,456	0	22,456
18,525	12,380	30,905	Charnwood Borough Council	4	17,965	13,003	30,968
4,167	77,409	81,576	Leicestershire County Council		4,042	82,230	86,272
0	13,436	13,436	Leicestershire Police and Crime Commissioner		0	14,469	14,469
463	3,915	4,378	Combined Fire Authority		449	4,039	4,488
46,298	107,140	153,438			44,912	113,741	158,653
			<b>Charges to the Collection Fund</b>				
59	227	286	Less Write Offs of Non-Collectable Amounts	7	230	264	494
657	(55)	602	Less Increase/(Decrease) In Bad Debt Provision	6	141	16	157
(212)	0	(212)	Less Increase/(Decrease) In Provision For Appeals		(810)	0	(810)
187	0	187	Less Cost of Collection		187	0	187
840	0	840	Less Disregarded Amounts		1,167	0	1,167
1,531	172	1,703			915	280	1,195
<b>21,034</b>	<b>701</b>	<b>21,735</b>	<b>(Surplus)/Deficit arising during the year</b>		<b>(12,238)</b>	<b>(198)</b>	<b>(12,436)</b>
(4,201)	(1,377)	(5,578)	(Surplus)/Deficit brought forward 1st April		16,833	(676)	16,157
<b>16,833</b>	<b>(676)</b>	<b>16,157</b>	<b>(Surplus)/Deficit carried forward 31st March</b>	8/9/11	<b>4,595</b>	<b>(874)</b>	<b>3,721</b>

## Notes to the Collection Fund Statement

### Note 1 General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Council in relation to non-domestic rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the billing Council. The transactions are prescribed by legislation and are prepared on an accruals basis.

The major items contained within the Fund are:

- \* Council Tax collected from Borough Residents
- \* Business Rates collected from businesses within the Borough
- \* Transitional Relief granted to Council Taxpayers
- \* Precepts, Demands and Shares on the collection fund paid out to:
  - \* Central Government
  - \* Charnwood Borough Council
  - \* Leicestershire County Council
  - \* Leicestershire Police and Crime Commissioner
  - \* Leicestershire Combined Fire Authority
- \* The cost of collection allowance for Business Rates retained by the Billing Authority
- \* Additional items, such as
  - \* Write offs of non-collectable amounts
  - \* Provision for possible bad and doubtful debts
  - \* Provision for appeals on NNDR bills
  - \* Other disregarded amounts
- \* The deficit or surplus relating to Council Tax. This is then distributed between billing authorities and precepting authorities on the basis of an estimate made on 15<sup>th</sup> of January in each year.
- \* The deficit or surplus relating to Business rates. This is distributed between billing authorities, precepting authorities and central government on the basis of an estimate made during January in each year.

### Note 2 Council Tax

The basis of Council Tax is a property valuation. Properties are valued at April 1991 prices and included within eight bands. The standard Council Tax is calculated at Band D and all bands are expressed as a Band D equivalent to ascertain a total tax base for the Council. The 2022/23 base is shown below. Note that there is now a reduced 'Band A' for properties in 'A' that are reduced for those with approved Disabled Adaptations.

Valuation Band	Range of Values	Relationship to Band D	Number of Properties	Band D Equivalent
X	Reductions on Band A Up to and including	5/9	22.50	12.5
A	£40,000	6/9	10,352.75	6,901.8
B	£40,001 - £52,000	7/9	18,792.25	14,616.2
C	£52,001 - £68,000	8/9	17,046.50	15,152.4
D	£68,001 - £88,000	1	10,031.5	10,031.5
E	£88,001 - £120,000	11/9	6,820.75	8,336.5
F	£120,001 - £160,000	13/9	3,153.50	4,555.1
G	£160,001 - £320,000	15/9	1,899.25	3,165.4
H	More than £320,000	18/9	176.75	353.5
	Contributions in lieu			23.5
	Estimated growth in Band D equivalents			425.4
	<b>Total (Tax Base)</b>			<b>63,575.6</b>

The gross tax base, 63,575.6 as per the council tax resolution is adjusted for the Band D equivalent of dwellings receiving Council Tax Support to give an adjusted tax base of 59,174.4. Finally, an estimated collection rate of 98.5% for 2021/22 is then applied to the adjusted Band D figure producing a Council Tax Base of 58,286.9 which equates to £1,951.39 for a Band D property. This provides a total requirement of £113.7m.

The actual position is as follows:

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
121,824	Gross Council Tax due	129,969
(14,835)	Relief, Exemptions and Transitional Relief Granted	(16,092)
<b>106,989</b>	<b>Council Tax</b>	<b>113,877</b>

### Note 3 National Non-Domestic Rates (NNDR)

NNDR is organised on a local basis. The Council is responsible for collecting rates due from ratepayers within the Borough and the total amounts billed to business ratepayers are included within the Collection Fund, less the various relief and exemptions granted. This amount is paid, during the year, to the other precepting authorities and to central government based on their proportionate shares. The amounts paid over form part of the financing of the billing and precepting authorities General Fund.

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
62,584	Gross Non-Domestic Rates due	63,920
(34,264)	Reliefs and Exemptions	(22,034)
87	Transitional Protection Payment due to/(from) the Council	101
<b>28,407</b>	<b>Net Business Rates Receivable</b>	<b>41,987</b>

The Government specifies an amount (51.2 p in 2021/22 and same in 2020/21) and, subject to the effects of transition arrangements and rate relief schemes, local businesses pay rates calculated by multiplying their rateable value by that amount. The Rateable Value for the Council's area at 31st March 2022 was £133.77m (130.68m at 31st March 2021).

### Note 4 Charnwood Borough Council Tax Precept

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
17,771	Charnwood Precept	17,919
3,821	Parish Precepts	4,052
(143)	Collection Fund Deficit/(Surplus)	(2)
21,449		21,969
(9,069)	RSG and NNDR Redistributed Pool	(8,966)
<b>12,380</b>		<b>13,003</b>

## Note 5 Provision for Non-Payment

### Council Tax

There is a cumulative provision held as at 31<sup>st</sup> March 2022 amounting to £1,268k for doubtful debts, including costs. (£1,281k as at 31<sup>st</sup> March 2021)

### NNDR

There is a cumulative provision held as at 31<sup>st</sup> March 2022 amounting to £1,127k for doubtful debts, including costs. (£987k as at 31<sup>st</sup> March 2021)

## Note 6 Contributions to Provision for Bad and Doubtful Debts

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
(55)	Council Tax	16
657	NNDR	141
<b>602</b>		<b>157</b>

## Note 7 Write-off of Bad Debts

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
227	Council Tax	264
59	NNDR	230
<b>286</b>		<b>494</b>

## Note 8 Council Tax (Surplus)/Deficit on the Collection Fund

There was a Surplus balance on the Collection Fund at 31<sup>st</sup> March 2022 of £874k (£676k Surplus at 31<sup>st</sup> March 2021). This will be carried forward to 2022/23 and taken into account in the future calculation of charges to be met by Council Taxpayers. Further analysis is provided in Note 10 below.

The net contributions paid out of £18k together with the Surplus brought forward of £676k and an increase in Bad Debt Provision of £16k - increase the in-year surplus of £232k to a surplus of £874k which is carried forward.



## Note 9 Council Tax Collection Fund Balance

The Collection Fund is a statutory fund in which the Council records transactions for Council Tax. The balance on the fund has to be taken into account by the major precepting authorities in determining their respective requirements to be raised through Council Tax in future financial years. The surplus on the Collection Fund is apportioned as follows:

	<b>Amounts accounted for in 2022/23 £'000</b>	<b>Amounts to account for in 2023/24 £'000</b>	<b>Total £'000</b>
Leicestershire County Council	(774)	141	(633)
Leicestershire Police and Crime Commissioner	(136)	25	(111)
Charnwood Borough Council	(122)	22	(100)
Combined Fire Authority	(38)	8	(30)
<b>Total Net Surplus</b>	<b>(1,070)</b>	<b>196</b>	<b>(874)</b>

## Note 10 Council Tax Accounting for the Collection Fund Balance

On the basis that surpluses and deficits on the Collection Fund are shared with Leicestershire County Council, Leicestershire Police and Crime Commissioner, Leicestershire Combined Fire Authority and the Borough Council pro-rata to the precepts levied, the Council accounted for the Collection Fund Balance in the 2021/22 accounts as follows:

In the Balance Sheet at 31<sup>st</sup> March 2022, the Council included an overall surplus of £875k (£676k surplus at 31<sup>st</sup> March 2021) of which £775k relates to Preceptors Share of surplus (£599k at 31<sup>st</sup> March 2021 Preceptors share of Surplus) in the proportions shown below and the balance of £100k (£77k at 31<sup>st</sup> March 2021) related to Charnwood Borough Council's share of the Collection Fund Surplus.

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
(77)	Charnwood Borough Council	(100)
(489)	Leicestershire County Council	(633)
(86)	Leicestershire Police and Crime Commissioner	(111)
(24)	Leicestershire Combined Fire Authority	(30)
<b>(676)</b>	<b>Deficit/(Surplus) – Balance as at 31<sup>st</sup> March</b>	<b>(874)</b>

**Note 11 Business Rates (Surplus)/Deficit on the Collection Fund**

Shares of non-domestic rating income to major preceptors and billing authorities are paid out of the collection fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. However the transactions presented in the collection fund statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis, i.e. sharing out in full the (surplus) or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered by the authorities in subsequent financial years.

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
6,798	Charnwood Borough Council	1,838
803	Leicestershire County Council	413
168	Leicestershire Combined Fire Authority	46
9,064	Central Government	2,298
<b>16,833</b>	<b>Deficit/(Surplus) - Balance as at 31st March</b>	<b>4,595</b>

## Glossary of Terms

**Accounting Period** - The period of time covered by the accounts is normally 12 months commencing on 1st April for local authorities.

**Accruals** - Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

**Capital Charges** - Charges made to service revenue accounts based on the value of the assets they use and comprising depreciation.

**Capital Expenditure** - Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

**Capital Financing Costs** - The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

**Capital Receipt** - Income from the sale of capital assets such as council houses, land or other buildings.

**Creditors** - Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

**Current Assets** - Assets which can be expected to be consumed or realised during the next accounting period.

**Current Liabilities** - Amounts which will become due or could be called upon during the next accounting period.

**Debtors** - Amounts owed to the Council, which are collectable or outstanding at 31st March.

**Depreciation** - The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

**Fair Value** - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

**Finance Lease** – These are lease payments to acquire an asset, these are classified as assets on the Balance Sheet.

**Government Grants** - Payments by central government towards local Council expenditure. They may be specific or general.

**Net Non-Controllable Costs** – are those amounts charged to the CIES as required by Statute and reversed out as part of the Movement in Reserves Statement so that they are not charged to the taxpayer. These are items such as Depreciation, Revaluation of Fixed Assets, Pension valuation costs, Accumulated absences.

**Non-Current Asset** - Assets which can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

**Operating Lease** - A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

**Precepts** - The amount which local authorities cannot charge a council tax directly to the public (for example a County Council) and requires Charnwood Borough Council to collect on its behalf.

**Reserves** - Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

**Revenue Expenditure** - Spending on day-to-day items including employees' pay, premises costs and supplies and services.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)** - Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

**Revenue Support Grant** - The main grant paid by central government to a local Council towards the costs of its services.

### Abbreviations used in the accounts:

CIPFA - Chartered Institute of Public Finance and Accountancy	EUV-SH – Existing Use Value for Social Housing
FMS – Financial Management system	HRA - Housing Revenue Account
PWLB – Public Works Loan Board	MRA - Major Repairs Allowance
IFRS – International Financial Reporting Standard	NNDR - National Non-domestic Rates
PSM – Price Sensitivity Measurement	CFR – Capital Financing Requirement
DWP – Department of Works and Pensions	BID – Business Improvement District
MRP - Minimum Revenue Provision	VAT – Value Added Tax

**Independent auditor’s report to the members of Charnwood Borough Council  
Report on the audit of the financial statements ( Mazars Report to be added Post Audit)**



Southfield Road, Loughborough, Leicestershire.  
LE11 2TX

**Re: Management Representation Letter**

Mazars LLP

Dear Sirs

**Charnwood Borough Council - audit for year ended 31 March 2022**

This representation letter is provided in connection with your audit of the financial statements of Charnwood Borough Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

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

**My responsibility for the financial statements and accounting information**

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

**My responsibility to provide and disclose relevant information**

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Section 151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

## Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

## Accounting policies

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

## Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

## Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

## Laws and regulations

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

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

## Fraud and error

I acknowledge my responsibility as Head of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:



Telephone: 01509 263151

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Visit us at [www.charnwood.gov.uk](http://www.charnwood.gov.uk)

- management and those charged with governance;
- employees who have significant roles in internal control; and

others where fraud could have a material effect on the financial statements.

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

### **Related party transactions**

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

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

### **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. An impairment review is therefore not considered necessary.

### **Charges on assets**

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

### **Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

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

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

### **Covid-19**

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### **Brexit**

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### **Ukraine**

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and there is no significant impact on the Council's operations from restrictions or sanctions in place.

### **Going concern**

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



I have updated our going concern assessment in light of the on-going Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Annual Governance Statement**

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

### **Narrative report**

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

### **Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

**Director of Finance, Governance & Contracts**

