

Leicester  
City Council

### **MEETING OF THE AUDIT AND RISK COMMITTEE**

**DATE: TUESDAY, 24 NOVEMBER 2020**  
**TIME: 5:00 pm**  
**PLACE: Zoom Virtual Meeting**

### **Members of the Committee**

Councillor Pantling (Chair)  
Councillor O'Donnell (Vice-Chair)  
Councillors Bajaj, Joshi, Kaur Saini, Dr. Moore and Rahman

One Non-Group vacancy (to be notified)

Members of the Committee are summoned to attend the above meeting to consider the items of business listed overleaf.

for Monitoring Officer

**Officer contact: Ed Brown**  
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## Information for members of the public

**PLEASE NOTE** that any member of the press and public may listen in to proceedings at this 'virtual' meeting via a weblink which will be publicised on the Council website at least 24hrs before the meeting. Members of the press and public may tweet, blog etc. during the live broadcast as they would be able to during a regular Committee meeting at City Hall / Town Hall. It is important, however, that Councillors can discuss and take decisions without disruption, so the only participants in this virtual meeting will be the Councillors concerned, the officers advising the Committee and any objectors and applicants relevant to the applications to be considered.

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For Press Enquiries - please phone the **Communications Unit on 0116 454 4151**

## **PUBLIC SESSION**

### **AGENDA**

**NOTE: THIS MEETING WILL BE A VIRTUAL MEETING USING ZOOM**

The public link to view this meeting is:

[https://www.youtube.com/channel/UCddTWo00\\_gs0cp-301XDbXA](https://www.youtube.com/channel/UCddTWo00_gs0cp-301XDbXA)

**1. APOLOGIES FOR ABSENCE**

**2. DECLARATIONS OF INTEREST**

Members are asked to declare any interests they may have in the business to be discussed.

**3. MINUTES OF THE PREVIOUS MEETING**

**Appendix A  
(Pages 1 - 8)**

The Minutes of the previous meeting of the Audit and Risk Committee held on 23 September 2020 have been circulated, and Members will be asked to confirm them as a correct record.

**4. STATUTORY STATEMENT OF ACCOUNTS AND  
ANNUAL GOVERNANCE STATEMENT 2019/20**

**Appendix B  
(Pages 9 - 230)**

The Director of Finance submits a report seeking the approval of the Committee for Council's Annual Governance Statement & Annual Accounts 2019/20. The Committee will also receive an update from the External Auditor, this details the conclusion of their audit work and any recommendations.

**5. THE IMPACT OF BREXIT ON LEICESTER CITY  
COUNCIL**

**Appendix C  
(Pages 231 - 242)**

The Director of Delivery, Communications and Political Governance submits a report outlining the findings of the impact and risk analysis carried out on Brexit by Leicester City Council.

**6. LOCAL GOVERNMENT AND SOCIAL CARE  
OMBUDSMAN COMPLAINTS 2019/20**

**Appendix D  
(Pages 243 - 262)**

The Director of Finance submits a report to the Audit and Risk Committee on the complaints made to the Local Government and Social Care Ombudsman (LGO) in 2019/20 regarding Leicester City Council.

**7. CORPORATE COMPLAINTS (NON-STATUTORY) 2019/20** **Appendix E**  
**(Pages 263 - 270)**

The Director of Finance submits a report updating the Audit & Risk committee on corporate non - statutory complaints for 2019/ 20.

**8. COUNTER FRAUD MID-YEAR UPDATE REPORT 2020** **Appendix F**  
**(Pages 271 - 276)**

The Director of Finance submits a report providing a mid-year update to the Audit and Risk Committee on the work carried out by the Corporate Investigations Team for the period 1 April 2020 to 30 September 2020.

**9. UPDATE IN DEVELOPMENTS IN LOCAL (EXTERNAL) AUDIT ARRANGEMENTS** **Appendix G**  
**(Pages 277 - 288)**

A report is submitted to provide the Audit and Risk Committee with an update on developments in local (external) audit arrangements, that are associated with the Committee's responsibilities.

**10. PRIVATE SESSION**

**Members of the Public to Note**

**Under the law the committee is entitled to consider certain items in private where in the circumstances the public interest in maintaining the matter exempt from publication outweighs the public interest in disclosing the information. Members of the public will be asked to leave the meeting when such items are discussed.**

The Committee is recommended to consider the following reports in private on the grounds it will contain "exempt" information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently makes the following resolution:

"that the press and public be excluded during consideration of the following report in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because it involves the likely disclosure of "exempt" information, as defined in the Paragraph detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it is considered that the public interest in maintaining the information as exempt outweighs the public interest in disclosing the information."

**Paragraph 3**

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The following reports concern the strength of internal controls of the City Council's financial and management processes and includes references to material weaknesses and areas thereby vulnerable to fraud or other irregularity.

It is considered that the public interest in maintaining the exemption outweighs



the public interest in disclosing the information.

Item 14

PROGRESS AGAINST THE 2019-20 AND 2020-21 INTERNAL AUDIT PLANS

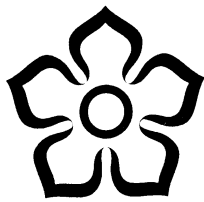
**11. PROGRESS AGAINST THE 2019-20 AND 2020-21  
INTERNAL AUDIT PLANS**

**Appendix H  
(Pages 289 - 304)**

The Internal Auditor submits a report, which to provides a summary of progress against the 2019-20 and 2020-21 Internal Audit Plans including information on resources used to progress the plans and a summary on high importance recommendations and progress with implementing them.

**12. ANY OTHER URGENT BUSINESS**





Leicester  
City Council

# Appendix A

## Minutes of the Remote Meeting of the AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 23 SEPTEMBER 2020 at 4:00 pm

### P R E S E N T:

Councillor Pantling (Chair)  
Councillor O'Donnell (Vice Chair)

Councillor Bajaj  
Councillor Joshi

Councillor Kaur Saini  
Councillor Dr Moore

Councillor Rahman

\* \* \* \* \*

#### **51. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

#### **52. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **53. MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the meeting held on 22 July 2020 be confirmed as a correct record.

#### **54. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE TO COUNCIL COVERING THE MUNICIPAL YEAR 2019-20**

The Director of Finance submitted a report, which sought approval for submission to Council of the Annual Report of the Committee. The report outlined the Committee's achievements over the municipal year 2019/20. It was noted that the Committee's terms of reference as approved by Council required the submission of the Annual Report to ensure the Committee was held to account on a regular basis by Council.

It was further noted that the Committee had considered a wide range of business in fulfilment of its central role as part of the Council's system of corporate governance, risk management, fraud and internal control. It was considered that the Committee had conducted its business in an appropriate manner through a programme of meetings and fulfilled the expectations placed upon it.

It was reported that the Committee had also fulfilled the good practice guidance issued by CIPFA and it was the view of the Director of Finance that the Committee had made a significant contribution to the good governance of the City Council. Through its work, the Committee had reinforced the Council's systems of internal control and internal audit and had given valuable support to the arrangements for corporate governance, legal compliance and the management of risk. It was confirmed that the Committee had received regular reports from Grant Thornton as the Council's external auditor and had maintained an overview of the external audit process.

It was noted that each year, following any changes in membership, there was a need to support members with relevant training and briefings on technically complex subjects, particularly in the context of the governance of a large local authority and especially during a period of continued financial stringency and change. It was considered that the effectiveness of the Committee was enhanced by having members who had gained sufficient expertise and experience. Members noted that the Committee's membership had been maintained as a result of the ongoing Covid-19 situation, which was therefore seen as beneficial.

In concluding the item, Committee members requested that their thanks and appreciation be recorded to the Chair for her conduct and accomplishments during the year.

RESOLVED:

That the Annual Report be approved for submission to the Council.

## **55. ANNUAL INSURANCE REPORT 2020**

The Director of Finance submitted a report, which presented an overview of the Council's internal and external insurance arrangements; and provided information on the claims received in recent years, and the results of the claims handling process.

With regard to Insurance Funding it was reported that some claims had managed to be settled for less than the amount set aside for them.

Regarding Catastrophic Injury Claims that involved long-term care, it was explained that these were quite rare, however they did put pressure on external premiums.

It was reported that a large portion of the past six months had been spent effectively responding to the Covid-19 pandemic, however it was too soon to say whether there had been any impact on claims and costs from it. No Covid-19-related claims had yet been received, however there was still a long time period in which they could come through.

Regarding Highways incidents, it was reported that a large proportion of claims involved potholes causing trips, and motoring incidents. This was in line with national trends.

Councillor Dr Moore drew attention to the area of the report detailing the surplus of the Insurance Fund which had led to a transfer of £5m into the Leicester City Council Capital programme. She expressed concern that this money may be needed in the Insurance Fund in the future and cautioned against sudden spending on projects when that money may be needed for insurance.

Principal Accountant Catherine Taylor responded that there was still a small surplus in the fund over and above the balance recommended by the actuary following the transfer.

Chief Accountant Amy Oliver reported that as this money was no longer needed in the reserve, it was now fully committed to the capital programme and had been approved by Council as part of the 2020/21 capital programme. However, she noted there was resilience in the Council budget should demands on the insurance fund unexpectedly increase, for example the General Fund balance.

**RESOLVED:**

To note the contents of the report, and the Council's approach to ensuring it is managing the financial risk associated with claims.

## **56. ANNUAL REPORT ON THE NATIONAL FRAUD INITIATIVE (NFI)**

The Director of Finance presented the Annual Report on the National Fraud Initiative (NFI). The purpose of the report was to provide information on the National Fraud Initiative exercise that had been concluded.

The exercise had been hosted by the Cabinet Office and had overseen data matches electronically to identify possible fraud or irregularity. Types of matches included:

- Housing benefit claimants who were not entitled to claim because they were in receipt of Student Loans or who were tenants at a different address or who appeared on a local authority payroll.
- Blue Badge Parking Permits, Concessionary Travel passes and Private Residential Care Home residents where the individual had been recorded as deceased.
- Duplicate Creditors or duplicate payments to creditors.

- Council Tax Reduction Scheme to Payroll.

Of 26,859 matches, 4,195 had been checked on the Cabinet Office risk scoring basis targeting high-risk matches. Five errors had been identified and zero frauds had been identified. £7,548 in overpayments had been identified.

There was a good level of assurance that fraud and errors across Leicester City Council were at a low level.

Full results of the exercise were due to be released in January 2021.

RESOLVED:

That the contents of the report be noted.

## **57. STRATEGIC AND OPERATIONAL RISK REGISTERS/HEALTH AND SAFETY DATA**

The Director of Delivery, Communications and Political Governance submitted a report presenting an update on the Strategic and Operational Risk Registers and Health and Safety Data.

The report considered the strategic registers compiled on risks facing the council and the operational register compiled on risks that affected the day-to-day running of divisions within the council with a risk-score of 15 or above as well as the number of incidents by incident type.

It was reported that 19 risks on the register had been updated and controls and risks had been updated. Further to this, 19 risks were amended, two risks had been deleted and five new risks had been added.

It was clarified that deleted risks did not mean an absence of risk, but rather that the risk now scored lower and was not considered a high risk and was well managed with effective controls.

At the time the report was produced the Brexit risk assessment had been updated and the report was to be produced in October.

It was also noted that Covid-19 risks were in the register and were managed at a divisional level.

Councillor Dr Moore enquired as to whether the possibility of a pandemic had featured in past risk registers.

Risk Management Manager Sonal Devani stated that it had not been identified as a specific risk, however it had fallen under the Business Continuity Plan so departments may have planned for losing staff and how to manage this.

She added that externally, looking at the community risk register, the possibility of a flu pandemic had been identified and plans had been put in place for such an occurrence.

Councillor Joshi referred to the graphs on the report and noted that work-related ill-health had declined in Adult Social Care and Safeguarding had declined. He asked whether this was due to the Covid-19 situation or another reason.

Sonal Devani clarified that this data had been produced by the Health and Safety department and she would enquire with them.

Councillor Pantling drew attention to point 4.10 of the report which referred to both periodically looking at risks and also about the on-going process of considering risks and asked for clarification.

Sonal Devani clarified that reporting took place on a four-monthly basis, however, the policy asked that risks be considered daily and always kept in mind. She added that relevant risk assessments were updated accordingly.

RESOLVED:

That the Strategic Risk Register (as at 27 August 2020) and Operational Risk Register (as at 31 May 2020) and the Health and Safety Data be noted.

## **58. PRIVATE SESSION**

RESOLVED:

That the press and public be excluded during consideration of the following reports, in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they involved the likely disclosure of “exempt” information, as defined in the Paragraph detailed below of Part 1 of Schedule 12A of the Act, and taking all circumstances into account, it was considered that the public interest in maintaining the information as exempt outweighed the public interest in disclosing the information.

Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

INTERNAL AUDIT- Progress Against the 2019-20 and 2020-21 Internal Audit Plans

## **59. PROGRESS AGAINST THE 2019-20 AND 2020-21 INTERNAL AUDIT PLANS**

Bharat Mistry, Internal Audit Manager, submitted a report, which provided:

- A summary of progress against the 2019-20 and 2020-21 Internal Audit Plans.
- Information on resources used to progress the plans.
- Summary information on high importance recommendations and progress with implementing them.

It was reported that Internal Audit had consulted with the Corporate Management Team regarding the impact of Covid-19 on priorities and to identify if any priorities had changes as a result. Particular issues caused by Covid-19 that were considered included:

- Whether there were any new audits that Internal Audit should consider and add to the plan.
- Whether increased working from home and changes in working practices needed assurances and controls from Internal Audit.

Feedback was received and only minimal changes to the original plan were requested. However, it was noted that this was a flexible plan and as such new audits could still be added.

It was further added that audits of a number and range of Covid-19 processes and grant certification had been requested.

Other points reported included:

- One 2018-19 audit remained outstanding. The matter was being pursued by the Leicester City Council Client Officer and was looking to be finalised over the coming weeks.
- With regard to Resources Used, Internal Audit were confident that they could the 800 target days could be delivered by the end of the year.
- Recommendations would be followed up on by Internal Audit until they were concluded.

Neil Jones (Internal Audit) assured the Committee that engagement with officers at Leicester City Council had been continuing and that whilst work had been remote it had been working well.

Councillor Pantling enquired as to whether working from home had been difficult from an Audit perspective.

Bharat Mistry responded that it had sometimes taken longer to get information, especially if that information was in a hard document. He further reported that the 'Egress' system had been used to transfer sensitive information and that data analytics were being used to progress audits.

It was added that there had been some delays due to technical issues and



computers not operating as efficiently as hoped, however the team had generally adapted well to working remotely, and as such, most of the Schools Audit had been remote.

RESOLVED:

That the contents of the report be noted.

#### **60. ANY OTHER URGENT BUSINESS**

It was agreed that future meetings would commence at 5pm to take into account the resumption of regular working hours for some attendees.

There being no items of further business the meeting closed at 4.56pm



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## **Statutory Statement of Accounts & Annual Governance Statement 2019/20**

Decision to be taken by: Audit and Risk Committee

Date of meeting: 24th November 2020

Lead director: Alison Greenhill, Director of Finance

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### **Useful information**

- Ward(s) affected: All
- Report author: Amy Oliver
- Author contact details: amy.oliver@leicester.gov.uk
- Report version number: 2.0

## **1. Summary**

To seek the approval of the Committee for Council's Annual Governance Statement & Annual Accounts 2019/20.

To provide the Committee with an update from the External Auditor, which details the conclusion of their audit work and any recommendations.

## **2. Recommendations**

The Audit & Risk Committee is recommended to:

- Note the auditor's ISA 260 Report to those charged with Governance and the recommendations contained within it, attached at Appendix A.
- Approve the Annual Statement of Accounts 2019/20, Appendix B.
- Approve the Annual Governance Statement 2019/20, Appendix C.
- Approve the letter of representation submitted by the Director of Finance, attached at Appendix D.
- Delegate authority to approve any minor amendments to the Annual Accounts & Annual Governance Statement to the Director of Finance, subject to a report to the Committee at the next meeting.

## **3. Background**

The Accounts & Audit (England) Regulations 2015 require that the Council present its audited Statement of Accounts along with its Annual Governance statement for approval annually by the 31st July for approval. This is delegated to the Audit & Risk Committee by Council. For 2019/20, this deadline has been extended to the 30th November 2020 due to the COVID-19 pandemic.

The draft statements were considered by the Audit & Risk Committee on the 22nd July 2020.

The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts are presented to the Executive and to the Overview Select Committee, which set out the revenue and capital

outturn for the authority. The financial position of the authority is presented in a different way in the Statement of Accounts. The outturn reports focus on the in-year financial performance in a format consistent with the Council's budgets, while the Statement of Accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the underlying financial position.

Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the accounts are consistent.

The format of the Annual Governance Statement to a large extent is dictated by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'.

#### **4. Amendments to the Draft Financial Statements**

During the external audit period, the need for certain amendments to the draft financial statements have come to light. These have been mainly presentational matters. However, there has been other changes this year from the draft, some as a consequence of COVID-19. The changes are identified below:

- Addition of a post balance sheet event which identifies the increased costs in 2020/21 and the potential risks to the Council's future financial position due to the pandemic. This is at Note 8 of the Statement of Accounts. We have also updated the narrative in relation to the COVID-19 pandemic to provide an updated position. The financial impact of the pandemic is being reported to OSC and will be reflected in the 2021/22 draft budget.
- Addition of a material uncertainty note for our share of the Pension Fund investment properties.
- During the audit period updated pension valuation information was received which affected the Comprehensive Income and Expenditure Statement and the Balance Sheet.
- Correction of a grant that had been treated as a receipt in advance and should have been recognised in the year.
- A pooled budget note was added for the Better Care Fund – as this is a shared budget this is just a disclosure; this can be found at Note 31.

None of these amendments have resulted in a change in the overall level of balances available to the Council to finance its ongoing operations. Any additional amendments proposed after this report was written will be reported to the Committee.

## **5. Letter of Representation**

The letter of representation is a letter signed by the Director of Finance and approved by the Audit & Risk Committee.

It is designed to give the external auditor assurance on the information included in the Statement of Accounts and to affirm that the primary responsibility for the content of the Statement of Accounts remains with the Council.

## **6. ISA 260 Report to those charged with Governance**

The ISA 260 Report details the conclusions of the external audit and makes any recommendations deemed necessary. Management responses to the recommendations are contained within it.

At the time of writing this report, the external audit was still ongoing and a verbal update will be provided if necessary at the meeting.

## **7. Financial, legal, equalities, climate emergency and other implications**

### 7.1 Financial implications

The report is exclusively concerned with financial issues.

### 7.2 Legal implications

There are no direct legal implications arising from the recommendations contained in this report.

Emma Horton, Head of Law (Commercial, Property & Planning)

### 7.3 Equalities implications

There are no direct equality implications arising from the recommendations contained in this report.

Surinder Singh, Equalities Officer

### 7.4 Climate Emergency implications

7.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

## 8. Other Implications

<b><u>OTHER IMPLICATIONS</u></b>	<b><u>YES/NO</u></b>	<b><u>PARAGRAPH REFERRED</u></b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights / People on low incomes	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

## 9. Background papers:

Revenue and capital outturn reports presented the Overview Select Committee on 28th July 2020.

The Draft Statutory Statement of Accounts 2019/20 presented at the Audit & Risk Committee on 22nd July 2020.

## 10. Summary of Appendices:

Appendix A - ISA 260 Report

Appendix B - Annual Statement of Accounts 2019/20

Appendix C - Annual Governance Statement 2019/20

Appendix D - Letter of representation

## 11. Consultations

All departments are consulted during the Authority's close down period.

**12. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?**

**13. Is this a "key decision"? If so, why? No**

## **Author:**

**Amy Oliver**

**Chief Accountant – Corporate Accountancy**

**X 54 5667**





# The Audit Findings for Leicester City Council

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Year ended 31 March 2020

5

24 November 2020



# Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicester City Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<b>Covid-19</b>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council, such as administration of grants to businesses, closure of schools, leisure and community centres and car parks with additional challenges of reopening services under new government guidelines as well as redeployment of staff to work on all of the above.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the National Audit Office (NAO) Code of Audit Practice ('the Code'), albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 27 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff are conducting the audit on a wholly remote basis. This has necessitated greater reliance on technology than usual for these remote working arrangements eg video calling, physical verification of assets and completeness accuracy of information produced by the entity.</p> <p>Remote working has brought challenges, which have been particularly pronounced in undertaking sampling work, where remote working has not quite been able to replicate the efficiencies of being in the same building and having discussions in person.</p> <p>The completion of our work by the deadline will be dependent on receiving satisfactory responses to all outstanding queries, but we thank officers for their cooperation and assistance to date.</p>
<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the Code, we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report (NR), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work is in the process of completing. It began in mid-June and will be completed by the statutory deadline subject to satisfactory resolution of outstanding work and all outstanding queries. Our findings to date are summarised on pages 6 to 24. We have identified 5 adjustments to date (2 adjusted and 3 unadjusted), none of which impact on the Council's useable reserves.</p> <p>Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>The status of our work is set out on the following page and while we have not identified any matters to date that would require modification of our audit opinion, clearly this is subject to the completion of outstanding work.</p> <p>We will however be including two Emphasis of Matter paragraphs; such paragraphs are added to indicate a matter which is disclosed appropriately in the Council's financial statements but which we consider is fundamental to a readers' understanding of the financial statements. These will:</p> <ul style="list-style-type: none"> <li>• Highlight the PP&amp;E valuation material uncertainties which is the basis upon which the Council's valuers have provided their valuations.</li> <li>• Draw the readers' attention to the material uncertainties given on the valuation of Property Fund investments in Leicestershire County Council Pension Fund. As the City Council's share of these assets is material, the uncertainty is required to be disclosed.</li> </ul> <p>These paragraphs do not affect our proposed opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.</p>

# Headlines

18	<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Leicester City Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our Vfm risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new Vfm risks specifically in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in later in this report.</p>
	<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• to certify the closure of the audit.</li></ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We hope to be able to certify the completion of the audit when we give our audit opinion but this will be dependent on completion of the the procedures pertaining to the whole of government accounts being complete which we undertake on behalf of the National Audit Office.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

# Status of the audit

The outstanding matters as at the time of writing are set out below.



- completion of our work on pensions, namely receipt of assurances from the auditor of the Leicestershire County Pension Fund and an explanation from the actuary for the differences in the expectations and actuals in relation to the authority's share of scheme assets
- final manager and engagement lead review of all of outstanding items once completed



- receipt of the Council's cashflow forecast to support the going concern assumption
- review of the Council's updated financial statements



- completion of our work on the school's bank balances
- completion of our procedures on the Council's WGA pack
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

## Status

- **Red** - Likely to result in material adjustment or significant change to disclosures within the financial statements or impact upon our auditor's report
- **Amber** - Potential to result in material adjustment or significant change to disclosures within the financial statements or impact upon our auditor's report
- **Green** - Not considered likely to result in material adjustment or change to disclosures within the financial statements or impact upon our auditor's report

# Audit approach

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO's Code of Audit Practice ('the Code'). Its contents will be discussed with the Audit and Risk Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based and, in particular, included:

- An evaluation of the internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Audit approach (continued)

We have had to alter our audit plan, as communicated to you on 27 April 2020, to reflect our response to the Covid-19 pandemic.

- We set out the key aspects of our proposed response to the significant risk we identified (which are those risks that have a high risk of material misstatement). This included action such as working with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and ensuring sufficient, corroborating audit evidence could be obtained
- We updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We did not identify any new VfM risks in relation to Covid-19.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan (see page 7).

# Summary

## Our approach to materiality

We detail in the table below our determination of materiality for Leicester City Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,500,000	We determined materiality for the audit of the Council's financial statements as a whole to be £16,500,000, which is approximately 1.5% of the Council's gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	10,725,000	<p>We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 65% of financial statement materiality for the audit of the financial statements.</p> <p>Our consideration of performance materiality is based upon a number of factors:</p> <ul style="list-style-type: none"><li>• We have not historically identified significant control deficiencies as a result of our audit work</li><li>• We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment</li><li>• There have not historically been a large number or significant misstatements arising as a result of the financial statements audits at the Council, though there have been prior period errors in both the previous and current year financial statements.</li><li>• Senior management and key reporting personnel in the finance function has remained stable from the prior year audit</li></ul>
Trivial matters	800,000	We determined the threshold at which we will communicate misstatements to the Audit and Risk Committee to be £800,000, which is approximately 5% of materiality.
Materiality for specific transactions, balances or disclosures	25,000	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

# Significant audit risks

Risks identified in our Audit Plan    Auditor commentary

Covid- 19

- We:
- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported specifically as a result of Covid-19. The draft financial statements were provided on 12 June 2020;
  - liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council’s property valuation expert;
  - evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
  - evaluated whether sufficient audit evidence could be obtained through remote technology;
  - evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations;
  - evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment;
  - discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.
  - engaged the use of auditor experts in respect of Property, Plant & Equipment (PP&E) valuations – refer to pages 11 to 14 and 17 and 18 for further detail on this work.

**Material uncertainty applied to valuations**

In their reports, the Council’s external valuers of its Council dwellings confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of ‘material valuation uncertainty’.

In his initial report, the Council’s internal valuer (who considers Other Land and Buildings in his valuations) did not issue the valuation on such a basis. This was queried given our knowledge of valuation bases in the sector at this time, including from the Council’s external valuers. Having considered our query, a revised report was produced on the basis of ‘material valuation uncertainty’.

The Council will need to reflect this uncertainty in it accounts and we will refer to these material valuation uncertainties in our audit report.

In a similar vein, the Leicestershire County Council pension Fund has included a material valuation uncertainty in relation to its property funds which form part of the pension scheme assets. Out of £4.1bn total assets in the pension fund, property assets represent £99.6m. As the City Council share of the portfolio is approximately 30%, the Council’s share of the property funds is therefore in the region of £30m, which is material to the financial statements.

As with the PP&E valuations, the Council has reflected this uncertainty in its accounts and we will refer to these material valuation uncertainties in our audit report.

**Events after the balance sheet date**

We have asked the Council to give consideration to updating its disclosure of post balance sheet events, to include information relating to funding received since 1 April 2020 and other significant events. To that end the Council has included narrative as part of Note 8 to explain the ongoing impact that the pandemic is having on the authority.



# Significant audit risks continued

## Risks identified in our Audit Plan

### The revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

## Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition.
- opportunities to manipulate revenue recognition are very limited.
- the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable.

**Therefore we do not consider this to be a significant risk for Leicester City Council.**

We have however:

- evaluated the Council's accounting policy for recognition of revenues for appropriateness
- performed substantive testing on material revenue streams; and
- reviewed unusual significant transactions.

Our audit work has not identified any issues in respect of improper revenue recognition.

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement. The main mechanism through which this could occur is through the posting of manual journals amending the reported financial performance. We therefore review the controls established relating to manual journals, including those for authorisation of manual journals.

We have:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness
- obtained a full listing of journal entries, identify and tested unusual journal entries for appropriateness
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

As in the prior year we noted that there is a lack of established approval process for journals; instead placing reliance on the Council's day-to-day activities to identify any journals that were posted incorrectly.

Since November 2019 the Council has put in arrangements which mitigate this deficiency to a certain extent. Each individual journal is still not counter signed but since November all journals posted in the month are downloaded and split by the department which posted them. The principal accountant of the relevant department who posted them then picks a sample to review, making sure they should have been posted and are correct. This review is signed and dated by the principal accountant and returned to the corporate finance team. We have seen this process and are content it is working as designed.

From the sample testing of journals undertaken we have found that they were appropriate, eligible and valid, and can be agreed to supporting evidence.

For more in-depth consideration of the Council's judgements and estimates please refer to pages 16 to 19.

# Significant audit risks continued

## Risks identified in our Audit Plan

### Valuation of land and buildings

The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of its internal valuers to estimate the current value as at 31 March 2020 for other land and buildings and external valuers in respect of council dwellings.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Auditor commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work, which has included the user of our own value to assist with our review and challenge
- evaluated the competence, capabilities and objectivity of the valuation experts
- written to the valuers to confirm the basis on which the valuations were carried out
- tested on a sample basis revaluations of the Council's operational properties, investment properties, and HRA properties during the year to ensure they have been input correctly into the Council's asset register and financial statements

We have challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding and evaluating the assumptions made by management for any assets not revalued at 31 March 2020, including those in the HRA, and how management has satisfied themselves that the carrying value of these assets in the balance sheet is not materially different to their current value

In their reports, the Council's valuers have confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of '*material valuation uncertainty*'. The Council has updated its financial statements to reflect this uncertainty and we will refer to these material valuation uncertainties in our audit report as an emphasis of matter. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year. Such a paragraph is added to indicate a matter which is disclosed appropriately in the Council's financial statements but which we consider is fundamental to a readers' understanding of the financial statements.

### Council Dwellings revaluation

The valuation report for Council dwellings does not reflect Council Dwelling Asset additions made during the year. The Council have attributed their own value to these properties, effectively including them at historic cost (using the purchase price) as a proxy for fair value.

Our expectation is that the value of Council Dwellings recognised on the Balance Sheet is consistent with the valuation as reported by the Council's external valuer and should include the full housing stock as at the balance sheet date, i.e. including any additions purchased in year. We are satisfied, that given that the value of the additions included in the financial statements is £10.2m, the value of council dwellings can not be materially misstated.

The properties have not yet been assigned to Beacons so we have reviewed the stock listing to determine what the average Beacon value is and applied that to the 184 additions to determine an estimated value. Our estimate of £9.1m is not significantly different to the value arrived at by the Council of £10.2m and on that basis we are satisfied with the approach taken in the current year. However, we recommend that in future the Council seek to inform its valuers of any such changes in year to the housing stock to determine the impact of any on the valuation of Council Dwellings at the balance sheet date.

# Significant audit risks continued

Risks identified in our Audit Plan

Valuation of land and buildings

(continued)

Auditor commentary

Land and Building revaluation

Assets not revalued

In our initial review of the financial statements we identified that there was £27.365m of other land and buildings that were not subject to revaluation as at 31 March 2020 and therefore we challenged the Council as to how it had satisfied itself that the carrying value as at the balance sheet date is not materially different to its fair value. As a response to this query, the Council subsequently valued 4 additional assets.

No adjustments to the accounts are proposed by the Council as a result of this work as the only large change in valuation is West Gate, which is an increase of £7.174m. The total change is £9.320m (which is below our materiality) and therefore the adjustment has not been made. It has however, been reported to you as an unadjusted misstatement and a recommendation has been made to ensure that the carrying value of assets not revalued is reviewed as part of the closedown process to provide assurance that there is no material difference between the carrying value and the current value.

Consideration of data and assumptions used in the determination of valuation of land and buildings

- We tested 12 surplus assets (with a value of £58.965m, comprising approximately 80% of the total surplus asset net book value as at the year end), by checking the calculations made by the valuer when producing a valuation of the asset, considered the source data used by the valuer, and the assumptions applied. We have no findings to report to you in regard to this work.
- We tested 43 other assets (with a value of £258.485m, comprising approximately 20% of the total net book value population of other assets as at the year end), and undertake the same work as listed above in relation to surplus assets. We have the following findings to report:
- Our analysis included comparison of the current year valuation to the prior year and identification of any changes. Based on the sample selected there was an understatement of £825k in the 2018/19 financial statements and a net understatement in the 2019/20 financial statements of £1.224m. The majority of the 2019/20 understatement was as a result of a typing error in a valuation certificate leading to an understatement in the valuation of £1.381m.
- Based on the error rate from the samples selected we are satisfied that if similar errors were throughout the population of either 2018/19 and 2019/20 there would not be a material error and therefore we are content that the valuation of other land and buildings is free from material misstatement in this regard.

# Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings (continued)	<p><b>Land and Building revaluation continued</b></p> <p><i>Reconciliation of valuer's report to the fixed asset register</i></p> <p>We reviewed the revaluations reconciliation prepared by the finance team which traces the valuations from the valuer's report to the fixed asset register, which included valuations for 9 assets which had not been processed on the grounds that they had been identified as having been disposed in year.</p> <p>However, of these 9, there were 5 which we could not agree to our disposals testing and so requested further information. These were:</p> <ol style="list-style-type: none"><li>1) Land at Conaglen Road - The asset was written out of the 2017/18 asset register, but this asset was sold in 2020/21. Therefore this valuation should have been processed in 2019/20 and the FAR has been understated since 2017/18.</li><li>2) Former Queensmead Junior School site - The asset was written out of the 2017/18 asset register. This asset was actually part sold in 2014/15. The valuation provided by the internal valuer reflects the amount the Council owns and should have been processed.</li><li>3) Wanstead Road units 1-23 - This asset was disposed in 2018/19 and ownership was transferred, therefore it was written out of the register. Treatment in the financial statements therefore correct.</li><li>4) Former Mundella Community College - This asset was part sold in 2017/18. The valuation provided by the internal valuer reflects the amount the Council owns and should have been processed.</li><li>5) 71 Vaughan Way - This asset was part of a land swap in 17/18, so was written out of the 2017/18 asset register. Treatment in the financial statements therefore correct.</li></ol> <p>Items number 3 and 5 above were valued by the valuer even though the Council doesn't own the assets.</p> <p>Items 1, 2 and 4 were valued by the valuer but had been erroneously written out of the fixed asset register and not corrected, or processed for 2019-20.</p> <p>The impact of this is that the net book value of Property, Plant and Equipment has been undervalued in 2017/18, 2018/19 and 2019/20 by £3.202m, £2.490m and £2,490m respectively.</p> <p><b>Conclusion</b></p> <p>The cumulative understatement of the value of Property, Plant and Equipment in 2017/18 and 2018/19 as a result of the above procedures is determined to £3.202m and £3.315m in 2017/18 and 2018/19 respectively. As these figures are not material no prior period adjustments are required.</p> <p>The cumulative understatement of the value of Property, Plant and Equipment in relation to the 2019/20 financial statements is:</p> <ul style="list-style-type: none"><li>• £9.320m as a result of assets not valued</li><li>• £2.490m as a result of valuations not being processed when they should have been</li><li>• £1.224m as a result of various errors identified by the valuer as part of our review of testing of assumptions</li></ul> <p>This gives a total understatement of £13.034m, which is not material but is reported to you as an unadjusted misstatement.</p>

# Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary
<b>Valuation of the pension fund net liability</b>  The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£615 million in the balance sheet) and the sensitivity of the estimate to changes in key assumptions. We identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement	<p>We have:</p> <ul style="list-style-type: none"><li>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls</li><li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li><li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation</li><li>• assessed the accuracy and completeness of the information provided to the actuary to estimate the liability</li><li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary</li><li>• completed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within that report</li></ul> <p>The original report produced by the actuary was based on information provided by the Administering Authority and actual returns for the period 1 April 2019 to 31 December 2019 with an estimated return applied to 31 March 2020. An updated actuarial report was subsequently commissioned to reflect the actual return at 31 March 2020. The updated report provided gives a net reduction in the pension liability of £5.280m (primarily due to the actuary taking a more pessimistic view on the impact on asset valuations as a result of Covid-19 in their original estimate than actually was observed).</p> <p>The Council has adjusted the financial statements to reflect this change.</p> <p>The Council's actuary has reported a net defined liability comprising significant "experience" items of £124.859m. These are material but we are satisfied, through liaison with the actuary (via the pension fund), that there is an appropriate explanation for these items.</p> <p><b>McCloud judgement</b></p> <p>MHCLG is consulting on a remedy for the McCloud judgment that we reported upon last year. The Council's actuary has made assumptions in respect of the liability to reflect the proposed remedy. At whole fund level, the Council's actuaries do not expect the McCloud remedy to have a significant cost impact. Based on typical LGPS funding assumptions, they estimate that total liabilities might increase by around 0.2%. Total liabilities in the Council's IAS19 report were £1.852m and therefore impact would be around £3.7m which is not material. On these grounds we are satisfied that no amendments or disclosures are required.</p> <p><b>Conclusion</b></p> <p>As well as the outstanding issues above, we have requested assistance from the pension fund auditor to help with our review and pending receipt of this information we cannot conclude upon our work in this area.</p>

# Other audit risks

Risks identified in our Audit Plan

International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)

Auditor commentary

We noted in our audit plan that the public sector will implement this standard from 1 April 2020.

The guidance has subsequently been amended to be implemented from 1 April 2021. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.

In accordance with IAS 8 disclosures of the expected impact of IFRS 16 should be included in the Council's 2019/20 financial statements. The Council has not included its anticipated impact in the financial statements. If the effect on the financial statements is not practicably estimable the Council is required to disclose that fact, and we therefore raised a recommendation for the Council to add such a disclosure, which has not been amended in the updated financial statements.

Prior Period Adjustment (PPA)

The Council's finance team have brought to our attention that there were two secondary schools which transferred to academy status during previous financial periods, and were not derecognised by the Council when they should have been.

In accordance with the requirements of *IAS8 Accounting Policies, Changes in Accounting Estimates and Errors*, prior period adjustments are material omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:


- a) Was available when financial statements for those periods were authorised for issue; and
- b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

In order to be classified as a prior period error, both criteria (a) and (b) must be met. From the work we have done we are satisfied that they have been met. We have:

- ascertained how the PPA was identified
- investigated the facts and circumstances that gave rise to the PPA and what management will do differently to prevent to prevent it recurring
- reviewed management's proposed corrections to the financial statements, for both completeness and accuracy
- reviewed the disclosures made in the financial statements for completeness and accuracy.

The net book values of the two schools in question were £2.804m (from 2017/18) and £24.348m (from 2018/19) at the time they should have been recognised. Management considers the errors to be material by nature (ie qualitative) and furthermore they consider the error to be one (based on a theme) rather than two smaller ones. From a quantitative point of view, per IAS 8, the earlier error (as it is not material) would not usually be corrected through a prior period adjustment, but for the reasons explained above we are not minded to challenge the approach being taken by the Council.

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Council Dwellings</b> Draft: £1,001.516m Final: £1,001.516m.	<p>The Council owns in excess of 20,000 properties and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged Jones Lang Lasalle (JLL) to complete the valuation of these properties. The total net book value of Council Dwellings was £1,001m, a net increase of £51m from 2018/19 (£951m).</p> <p>Management and their valuer have considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's dwellings.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's Council Dwellings at 31 March 2020 as a result of Covid-19. The Council has are required to disclose this material uncertainty in the financial statements.</p>	<ul style="list-style-type: none"> <li>• We have engaged our own valuer to assist with our work and challenge in this area.</li> <li>• We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.</li> <li>• The housing stock has been divided using the external valuer's judgements and knowledge by applying the beacon methodology. This is consistent with the prior year.</li> <li>• We have considered the indices that the valuer has used in performing the valuation and are discussing the appropriateness of these with the Council and its valuer.</li> <li>• Disclosure of the material uncertainty of the estimate will need to be added to the financial statements and we will refer to the uncertainties disclosed in our audit report.</li> <li>• We have considered the completeness and accuracy of the underlying information used to determine the estimate.</li> </ul> <p>We have no matters to ring to your attention except for those already reported to you on page 10 of this report.</p>	 <b>Green</b>


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## Assessment

- **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Yellow** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Green** - We consider management's process is appropriate and key assumptions are neither optimistic or cautious



# Significant findings – key estimates and judgements


Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Other Land and Buildings (including surplus assets)</b> Draft: £1,146m Final: £1,146m	<p>The Council has engaged its internal valuer to complete the valuation of these properties.</p> <p>The Council carries out a rolling programme of valuations that ensures that all property and land (subject to a de minimis of £10k for asset values) required to be measured at current value is revalued at least every five years.</p> <p>Other land and buildings includes specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings revalued in 2019/20 are not specialised in nature and are required to be valued at existing use value (EUV) at year end.</p> <p>The total net book value of Other land and buildings was £1,073m, a net increase of £89m from 2018/19 (£1,162m).</p> <p>The total net book value of surplus assets was £74m, a net decrease of £2m from 2018/19 (£76m).</p> <p>Management and their valuer have taken into account available market data, and considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's land and buildings.</p> <p>In line with Royal Institute of Chartered Surveyors (RICS) guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council is required to include disclosure of this fact in its financial statements.</p>	<ul style="list-style-type: none"> <li>We have engaged our own valuer to assist with our work and challenge in this area.</li> <li>We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.</li> <li>There have been no changes to the valuation method this year.</li> <li>We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. We have considered the completeness and accuracy of the underlying information used to determine the estate, including reviewing and challenging the floor areas. We have discussed the appropriateness of the indices and assumptions used by the Council's valuer and as our result of our work the valuer and the finance team have identified that the value of other land and buildings is understated by £13.034m as reported on pages 11 and 12. This is not a material amount but has been reported as an unadjusted misstatement.</li> <li>Disclosure of the material uncertainty of the estimate has been added to the financial statements and we will refer to the uncertainties disclosed in our audit report.</li> </ul> <p>A significant amount of work has been undertaken as part of our challenge involving a significant amount of time and effort both on our part as well as on the part of the Council's estates team, finance team and valuer. We are aware that the Council is planning an increased amount of its own quality assurance processes for future years such that any errors are identified and resolved prior to the audit process.</p>	 <b>Yellow/Amber</b>

## Assessment

- **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Yellow** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Green** - We consider management's process is appropriate and key assumptions are neither optimistic or cautious



# Significant findings – key estimates and judgements



Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
<b>Net pension liability</b> Draft: £606m Revised: £600m	<p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £67m net actuarial gain during 2019/20 as reflected in the draft financial statements.</p> <p>The Council's net pension liability as at 31 March 2020 is £615m comprising obligations under the Leicestershire County Council Pension Fund Local Government Pension Scheme.</p> <p>The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p>	<ul style="list-style-type: none"> <li>We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council.</li> <li>We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Leicestershire County Council Pension Fund valuation as it applies to Leicester City Council.</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>2.30%</td><td>2.30%</td><td>● (G)</td></tr> <tr> <td>Pension increase rate</td><td>1.90%</td><td>1.8%-2.0%</td><td>● (G)</td></tr> <tr> <td>Salary growth</td><td>2.4%</td><td>1.9%-2.8% scheme-specific</td><td>● (G)</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>45: 21.5 65: 22.2</td><td>20.5 - 22.2 21.6 - 23.3</td><td>● (G)</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>45: 23.8 65: 25.2</td><td>22.9 – 24.3 24.6 – 26.3</td><td>● (G)</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. We queried the increase in salary increase assumption with the actuary, which has changed significantly since the prior year (a reduction of 0.9%). We are comfortable with the explanation provided by the actuary in that the salary increase assumption is based on the CPI margin, and therefore if CPI moves, the salary increase moves accordingly.</li> <li>There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.30%	2.30%	● (G)	Pension increase rate	1.90%	1.8%-2.0%	● (G)	Salary growth	2.4%	1.9%-2.8% scheme-specific	● (G)	Life expectancy – Males currently aged 45 / 65	45: 21.5 65: 22.2	20.5 - 22.2 21.6 - 23.3	● (G)	Life expectancy – Females currently aged 45 / 65	45: 23.8 65: 25.2	22.9 – 24.3 24.6 – 26.3	● (G)	 TBC
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## Assessment





- **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Yellow** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Net pension liability</b> Draft: £606m Revised: £600m	(Continued)	<ul style="list-style-type: none"> <li>Our expectations relating to the Council's share of scheme assets are materially different to those reported in the actuary's report. We are liaising with our counterparts who are auditing the pension fund to identify an explanation for the difference and therefore pending resolution of this matter our assessment of this accounting area is to be confirmed.</li> <li>Disclosure of the estimate in the financial statements is considered adequate.</li> </ul> <p>At the time of writing we are waiting for information from the pension fund auditor in relation to the IAS19 assurance letters as well as the query on the Council's share of scheme assets referred to above and cannot therefore conclude on our work.</p>	 <b>TBC</b>
<b>Other accruals and estimates</b>	The Council continues to apply estimates and judgements in a number of areas, such as: <ul style="list-style-type: none"> <li>accruals of income and expenditure</li> <li>recognition of school assets</li> <li>the preparation of group accounts</li> </ul>	<ul style="list-style-type: none"> <li>The policies for these items are in line with accounting standards and the requirements of the Code of Practice on Local Authority Accounting</li> <li>Disclosure of the estimates in the financial statements is considered to be adequate.</li> <li>As part of our testing, we have reviewed the judgements applied by the Council relating to these items, and significant balance within these have been discussed with management in detail.</li> <li>We have found on material misstatements in the financial statements relating to these balances from our work to date.</li> </ul>	 <b>Green</b>

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## Assessment

-  **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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# Significant findings – going concern

## Our responsibility

As auditors, we are required 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” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

Preparation of income and expenditure budgets for the year ended 31 March 2021

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## Work performed

## Auditor commentary

Going Concern is defined as “the concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.’

The Council's financial statements are prepared on going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due.

Audit procedures undertaken have not found any indication of the existence of going concern events or conditions which may cast significant doubt on the Authority's ability to continue as a going concern.

The Council budget more than a year in advance: at the Council meeting in February 2019 the 2019/20 budget was agreed, albeit with the use of reserves of £1.8m. This is intentional and is a result of the managed reserves strategy, which was implemented in previous years to build up reserves and “buy time” such that they could be drawn upon as needed.

The report accompanying the budget notes that Spending Review 4 was commencing which allocated target savings of £20m across departments. It made clear in no uncertain terms that the budget that the Council was being asked to agree was a one year project as projections due to the volatility and uncertainty of projecting beyond 2019/20.

It has been a challenging year due to the Covid-19 pandemic and the impact of this has been administration of grants to businesses, closure of schools, leisure and community centres and car parks with additional challenges of reopening services under new government guidelines, the need to free up capacity of teams in addition to normal responsibilities. The pre-Covid General Fund Revenue Budget for 2020/21 reviewed by Council in February 2020, noted that as a result of the managed reserves strategy and the results of the Spending Review 4 it was possible to balance the budget for 2020/21 using a £2.4m contribution from reserves, which was a £6.5m decrease from the forecast in February 2019. As with the 2019/20 budget this is a one-year budget.

We have reviewed the budgetary processes in place and would note the following:

- We are satisfied from our review of the Council's reserves balance that it has sufficiency of usable reserves (i.e. general fund and earmarked reserves) to bolster its finances should its savings plans not be delivered, but clearly reserves can only be used once.
- The Council is rightly concerned that there are a number of unknowns in its funding, particularly the accuracy with which it can project losses in the collection fund during 2021/22 as the knock-on effects of the downturn in economy impact the ability of tax-payers to pay their council tax, and for business to pay their business rates. The report received by Overview Select Committee in May 2020 noted that the impact on the General Fund could be in the region of £35m, which had increased to approximately £40m by the September report. However, there is an expectation that the government will continue to fund at least some costs that have arisen specifically as a result of the pandemic. However, in and of itself, this is not considered to cast significant doubt on the Council's ability to continue as a going concern.

We therefore agree with the Council's conclusion that the going concern assumption is appropriate.

# Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	<p>We are not aware of any related parties or related party transactions which have not been disclosed.</p> <p>We did however, identify as part of our planning work that there were a number of instances (albeit historic) of members not completing their declarations of interests. When we reviewed the related parties disclosures and compared them to companies house we identified some apparent discrepancies, which have been discussed with the Council, leading to interests in respect of three Councillors being updated. We recommend that all those who are required to declare interests are reminded of the need to update them on a real time basis.</p> <p>We have requested an additional disclosure to be made in relation to related parties to reflect an officer who is a Director of Leicester Arts Centre</p>
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	<p>We are proposing the inclusion of additional representations to the standard requirements as follows:</p> <ul style="list-style-type: none"> <li>• “The prior period adjustment disclosed in Note 6 to the financial statements is accurate and complete. There are no other prior period errors to bring to your attention.”</li> <li>• Reference to the unadjusted misstatements as recorded in Appendix B, and</li> <li>• Recognition of the impact of Covid-19 on the valuation material uncertainty.</li> </ul>
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to those organisations with which it banks, invests and borrows. Permission was granted and the requests were duly sent. 1 investment confirmation remains outstanding and is being actively chased. Of the confirmations received to date, there have been no issues arising.
<b>Disclosures</b>	See Appendix B for the most significant amendments made to disclosures. In addition a small number of amendments were made to improve clarity for the reader.
<b>Other communications</b>	As part of our audit we received information in respect of the Council's policies and operational procedures in respect of the issuing of Fixed Penalty Notices (FPNs) within the City Council's Wardens Services. While we do not believe there is any formal audit action we are required to take at this time (based upon the information we have seen to date) we have been in correspondence with the Council and recommended that it review the suite of key performance indicators utilized in the Wardens Service to ensure that they fully meet the DEFRA Code of Practice on Litter and Refuse expectations in respect of performance being monitored and reported in terms of the impact the Council's actions are having in improving environmental cleanliness.

# Other matters for communication (continued)

Issue	Auditor commentary
<b>Audit evidence and explanations/significant difficulties</b>	<p>Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:</p> <p><b>Revisiting planning</b></p> <p>We have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.</p> <p><b>Management's assumptions and estimates</b></p> <p>There is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances, financial guarantees, and other provisions. We have include an Emphasis of Matter in the Audit Report in respect of the material uncertainty on the value of property, plant and equipment as well as on the property fund assets in the local government pension scheme to which the Council contributes.</p> <p><b>Financial resilience assessment</b></p> <p>We have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.</p> <p><b>Remote working</b></p> <p>The most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.</p> <p>We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <a href="https://www.frc.org.uk/covid-19-guidance-and-advice">https://www.frc.org.uk/covid-19-guidance-and-advice</a> (see guidance for auditors) sets out the expectations of the FRC.</p> <p>To reflect the significance of the additional work required we will be proposing an uplift to our scale fees for 2019/20 of 15%. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.</p>

# Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We plan to issue an unmodified opinion in this respect, though we will be in dialogue with officers to ensure that the Narrative Report and Annual Governance Statement and any other information is updated as deemed necessary as part of our completion procedures to reflect events since the draft financial statements were produced.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Our work is not yet completed as at the time of writing though it is planned to be completed by the deadline of 4 December.</p>
<b>Certification of the closure of the audit</b>	<p>We do not expect to be able to certify the conclusion of the audit yet as we do not anticipate having completed our work on the Council's Whole of Government Accounts return.</p>

# Value for Money

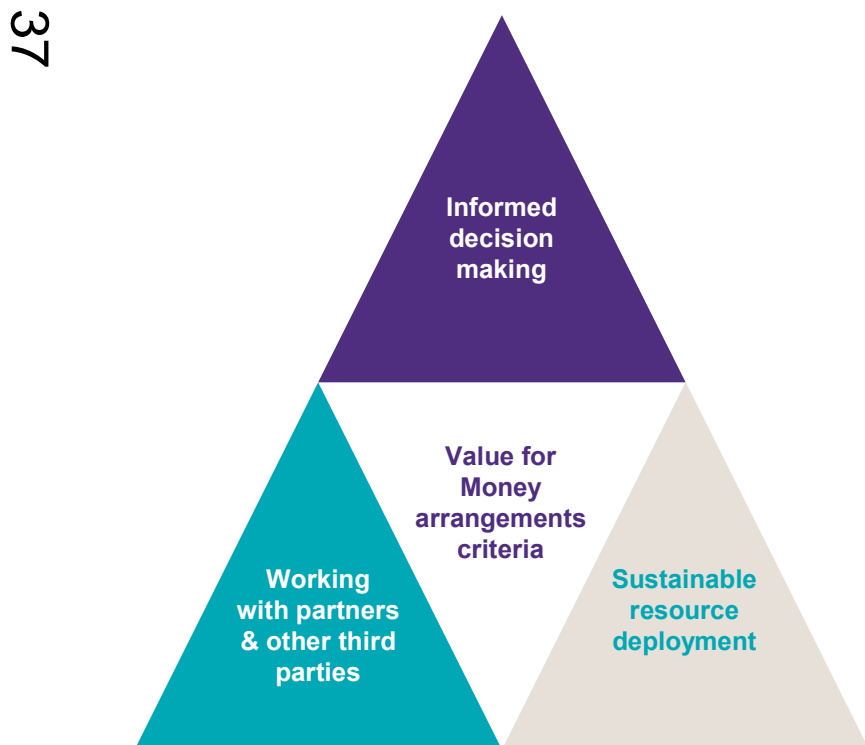
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in February 2020 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. This related to financial planning and sustainability and we communicated these risks to you in our Audit Plan dated 25 March 2020.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks specifically in relation to the COVID-19 pandemic. However, in light of the emerging issues and having regard to the NAO's AGN 03, we have tailored our response to take into account the areas of increased risk Covid-19 might bring in relation to financial resilience and service failure.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The outturn from 2019/20 compared to forecast and savings for 2020/21 updated to reflect likely shortfalls in income as a result of COVID.

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents

## Financial Resilience

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### Significant Risk – what we said in our Audit Plan

- The Authority has historically managed its finances well, achieving financial targets: however, the scale and pace of change for local government will affect future projections and it is important the Authority is on track to identify and produce savings required to deliver balanced budgets in the future.
  - The General Fund Revenue Budget considered by Council on 20 February 2019 identified that the budget for 2019/20 was in balance following the application of the managed reserves strategy.
  - However, it also noted that the Authority would be faced with finding further budget reduction and income generation proposals and there is therefore still a gap to address in terms of future funding and savings solutions.
  - Since then the General Fund Revenue Budget 2020/21 to 2021/22, has been approved at Council on 19 February. It confirmed that while the budget for 2020/21 has been balanced using reserves, savings from the previous rounds of spending reviews are still being sought. The report noted that projections of spending and income have been made beyond 2020/21 but that they are “uncertain and volatile”.
  - We will review the Council's Medium Term Financial Strategy and financial monitoring reports and assess the assumptions used and savings being achieved.
- 

## Findings

### General Fund

The Government's lockdown, announced on 23 March 2020, has meant that many business have been forced to close, significantly impacting on the local economy, which in turn impacts on the Council's commercial income. Furthermore, the Council has had to put considerable resources into ensuring that rough sleepers are safe during this period and that the most vulnerable are cared for.

On 2 July 2020 the government announced further funding and financial support for local authorities. These were:

- £500m of non-ring-fenced grant funding for local authorities across England. The funding is similar to the first two tranches of government support and focusses on the additional financial burdens that have arisen from the pandemic
  - A new scheme to help reimburse local authorities for lost income during the pandemic and boost cashflow for local authorities. This is predicated on Councils covering the first 5% of income losses from sales, fees and charges and the government reimbursing councils for 75 % thereafter.
  - Any preceptor deficits on a council's Collection Fund can be paid over three years rather than all in one year.
-



# Value for Money

## Financial Resilience (continued)

### Findings (continued)

#### Revenue Budget Outturn, 2019/20

2019-20	CURRENT BUDGET	Outturn	Variance
Neighbourhood & Environmental Services	31,446.0	31,443.9	(2.1)
Tourism Culture & Inward Investment	4,270.1	4,787.0	516.9
Planning, Development & Transportation	15,215.9	15,506.1	290.2
Estates & Building Services	4,821.9	5,155.8	333.9
Departmental Overheads	1,020.9	709.6	(311.3)
Housing Services	2,822.8	2,974.3	151.5
<b>City Development &amp; Neighbourhoods</b>	<b>59,597.6</b>	<b>60,576.7</b>	<b>979.1</b>
Adult Social Care	109,141.3	101,709.8	(7,431.5)
<b>Health &amp; Well Being</b>	<b>18,557.0</b>	<b>18,169.9</b>	<b>(387.1)</b>
Strategic Commissioning & Business Support	1,039.4	1,165.2	125.8
Learning Services	10,550.8	11,646.5	1,095.7
Children, Young People & Families	60,055.5	58,791.3	(1,264.2)
Departmental Resources	(2,766.8)	(2,724.1)	42.7
<b>Education &amp; Childrens Services</b>	<b>68,878.9</b>	<b>68,878.9</b>	<b>0.0</b>
Delivery, Communications & Political Governance	5,659.5	5,971.9	312.4
Financial Services	11,215.5	11,215.5	0.0
Human Resources	3,899.0	3,586.6	(312.4)
Information Services	9,263.6	9,263.6	0.0
Legal Services	2,673.8	2,673.8	0.0
<b>Corporate Resources &amp; Support</b>	<b>32,711.4</b>	<b>32,711.4</b>	<b>(0.0)</b>
Housing Benefits (Client Payments)	500.0	(2,133.0)	(2,633.0)
<b>Total Operational</b>	<b>289,386.2</b>	<b>279,913.7</b>	<b>(9,472.5)</b>
Corporate Budgets	(157.6)	(5,624.5)	(5,466.9)
Capital Financing	6,005.9	5,238.2	(767.7)
<b>Total Corporate &amp; Capital Financing</b>	<b>5,848.3</b>	<b>(386.3)</b>	<b>(6,234.6)</b>
In year Spending Review Savings	0.0	(1,689.0)	(1,689.0)
Public Health Grant	(26,103.0)	(26,103.0)	0.0
Managed reserves Strategy	(1,763.4)	(1,763.4)	0.0
Demographic pressures reserve	(3,455.0)	(3,455.0)	0.0
<b>TOTAL GENERAL FUND</b>	<b>263,913.1</b>	<b>246,517.0</b>	<b>(17,396.1)</b>

The reported revenue budget outturn report is shown here, as reported to Overview Select Committee (OSC) on 29 July 2020 in the Council's Revenue Budget Monitoring Outturn 2019-20 .

Whilst the positive General Fund outturn position during 2019-20, and the resulting adjustments to reserves, will help to support the Council's short term financial position, it does not address the challenging financial position that the Council finds itself in over the medium term; namely ensuring that any further budget reductions required are achieved. It was reported in the General Fund Revenue Budget 2020/21 that while the budget for 2020/21 has been balanced using reserves, projections of spending and income beyond 2020/21 are uncertain and volatile and therefore just a one year budget was set.

Subsequent to this the economic environment has become even more uncertain as a result of the pandemic.

#### Consideration of 2020/21 budget

The Council is undertaking scenario planning and closely monitoring the financial impact of Covid-19. Officers recognise that this is a complex, evolving and iterative process. The Council is currently forecasting the net impact of Covid -19 to be in the region of £6.0m.

This comprises a mix of expenditure pressures as well as lost income generation. £33m has been received in additional grant funding, but this still leaves a gap to be bridged. These plans are based upon a set of assumptions which are likely to change including how long the recovery is likely to take, how much of the lost income will be recovered and how much of the pre Covid-19 income will return in time. There is also the potential for further surges in the virus and potential lockdowns.

The Council predicted in its July report to OSC that income losses could be as much as £18.4m and increased costs could be as much as £15.8m. There are expected to be further pressures in Council Tax Support and Local Tax Payments of £2.0m and £2.5m respectively giving a potential total pressure of £38.7m. The Council has already received unring-fenced funding of £24m to help meet some of these additional costs, and will undoubtedly receive additional funding through the government's income losses scheme (as referred to in the last bullet point above), but what the value of this funding might be is uncertain, though it has been estimated by the Council to be in the region of £10m.

# Value for Money

## Financial Resilience (continued)

### Findings (continued)

It reported at that time that due to the managed reserves strategy the shortfall calculated would be able to be met by the Council. However, the impact above is not based on any further second wave and assumes no further full lockdowns take place. While these aren't unreasonable assumptions to make, the environment is uncertain and therefore it is possible that the Council will be faced with looking at measures to reduce spending on non-essential functions where possible in order to reduce this impact over time.

### Review of savings plans

The Council's policy under its managed reserves strategy is not to remove savings from budgets until they have been achieved, to avoid storing up potential overspends when savings which have been planned for are not subsequently achieved. Thereafter the Council applies these savings to its ongoing budget by removing them from the relevant directorate. However, it also flexes the budget as required as the year progressed, which can make it difficult for members and observers to assess how the original budget has changed and whether arrangements are working as expected. However, the year end outturn report details how savings have been delivered and there are monitoring reports considered at Overview Scrutiny throughout the year.

As at October 2019 the most recent budget monitoring report at that time identified that additional savings had been identified for 2019-20, the actioning of which has meant that budget has been achieved. The Council is looking at developing savings schemes to fill gaps in future years and review the budget on an ongoing basis. The revenue budget report on notes that the proposed budget at that time had an underlying budget cap of £2.4m which was a £6.5m decrease from the forecast in February 2019 and is evidence of continual monitoring of not only the Council's current position but its forecasts.

The proposed budget for 2020/21 has an underlying budget gap of £2.4m, which represents a £6.5m decrease from the forecast in February 2019. The main changes to the budget position are summarised in the table below:

	2020/21 changes £m
Spending Reviews and other savings	3.1
Growth in local tax base (council tax & business rates)	4.3
Social care pressures (in excess of additional government resources)	(4.8)
Pay inflation	(2.7)
Reduced level of cuts to general funding	4.2
Collection fund surplus (one-off)	1.8
Other changes	0.6
<b>Net decrease in budget gap since February 2019</b>	<b>6.5</b>

# Value for Money

## Financial Resilience (continued)

### Findings (continued)

The section 151 officer has noted down her risk assessment and adequacy of estimates in the 2020/21 budget as follows:

- Social care spending pressures
- Ensuring spending reviews deliver the required savings
- Achievability of estimated rates of income
- Increases in pay costs over and above the 2.5% average pay award are included in the proposed budget

As part of our analysis and given the importance of the achievability of income, we have reviewed income collection rates achieved thus far in 2019/10 to assess the Council's success in this area. For business rates collection rate is approximately 96% which is slightly below the national average (98%) but not significantly different. Annual collection rate for council tax is 95%, but as the *Income Collection April 2019 – March 2020* report notes collection continues after the year in question and eventually a collection rate of 98% is achieved. Again, this is within normal parameters. Therefore conclude, that while the s151 officer has highlighted it as a risk, the Council are starting from a positive position of reasonable collection rates.

The budget seeks to manage these risks as follows:

1. A minimum balance of £15m reserves will be maintained;
2. A one-off corporate contingency of £2m is included in the budget for 2020/21;
3. A planning contingency is included in the budget from 2021/22 onwards (£3m per annum);
4. pending Review savings are being implemented as soon as possible, and the resulting savings “banked” to support future budgets.

In support of this the table below shows the forecast reserves available to support the managed reserves strategy which was subsequently increased to £47.892m as a result of in year transfers in 2019/20.

The table below shows the forecast reserves available to support the managed reserves strategy:-

	£m
Brought forward 1 <sup>st</sup> April 2019	33.6
Use planned in budget	(1.9)
Additional savings in-year	1.7
<b>Forecast carry forward 1<sup>st</sup> April 2020</b>	<b>33.4</b>
Required in 2020/21	(2.4)
<b>Uncommitted balance</b>	<b>31.0</b>

# Value for Money

## Financial Resilience (continued)

### Findings (continued)

#### Consideration of 2020-21 assumptions

The budget provides for:

- council tax increase of 4% in 2020/21, which is the maximum available without a referendum, (with 2% of these being for the 'social care precept').
- increase in pay costs of 2.5% (as an estimate as at the time of preparing the budget the pay scales had not been determined, so this was a provision held centrally to meet the cost)
- independent adult sector care inflation of 2% (2019-20: 2%)
- foster care inflation of 2% (2019-20: 2%)

All of which are deemed reasonable in the current climate. However, the Council recognises that there are still many uncertainties with which to grapple:

- the ongoing impact of Covid-19 costs: some costs are known but some, for instance business rate and council tax collection rates are based on assumptions as they are dependent on how much support the government continue to provide to those responsible for paying such rates and taxes and whether they find themselves able to pay.

42 the ongoing impact of Covid-19 on income: the government's scheme to provide subsidy for lost income is (all relevant losses, over and above the first 5% of planned income from sales, fees and charges, will be compensated for at a rate of 75p in every pound) is welcome, but it is not clear how long the funding will last, nor what the value of the funding might be so the Council has had to make assumptions accordingly

- the results of the comprehensive spending review, which are due out later this year along with the settlement figures thereafter

The Council is aware it will need to monitor decisions from the Government with regard to funding and respond accordingly. While the Council report that the budget approved is a one year budget it nevertheless set out forecast position for what 2021/22 would look like, but it is important to note that this is before the impact of Covid is taken into account and shows a gap in resources of £6m. The managed reserves strategy table above as well as our own review of reserves shows that the Council can weather this shortfall in the short term if savings cannot be made, but there is inevitably an ongoing need to for the Council to continue revisiting its projections and forecasts as new information on Covid costs, guidance and requirements comes to light.

### Conclusion

**On the basis above we have concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to ensure it plans finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.**

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

The audit-related services referred to on the following page are consistent with the Council's policy on the allotment of such work to your auditors. None of the services provided are subject to contingent fees.

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# Independence and ethics

## Audit and Non-audit services




For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following audit-related services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
44	5,075	Certification of Housing capital receipts grant	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,075 in comparison to the total fee for the audit of £133,234 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-Interest (because this is a recurring fee)	
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	5,500 (expected)	Certification of Teachers Pension Return	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,500 in comparison to the total fee for the audit of £133,234 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-Interest (because this is a recurring fee)	
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	54,000 (expected)	Certification of Housing Benefit Claim	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is anticipated to be £54,000 in comparison to the total fee for the audit of £133,234 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-Interest (because this is a recurring fee)	
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.






# Action plan



We have identified 7 recommendations to date for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Medium	<b>Valuation process</b> A number of errors were identified in relation to the Council's valuation process, across a variety of areas such as asset lives, typographical errors in valuation certificates and discrepancies in the valuation list and the fixed asset registered in terms of which valuations were processed	We recommend that the Council applies its own quality assurance processes on the valuations for future years such that any errors are identified and resolved prior to the audit process. <b>Management response</b> Work is currently being undertaken to ensure better controls around valuations going forward.
45  Medium	<b>Additions to Council Dwellings</b> The valuation report for Council dwellings does not reflect Council Dwelling Asset additions made during the year. The Council has attributed their own value to these properties, effectively including them at historic cost (using the purchase price) as a proxy for fair value. Our expectation is that the value of Council Dwellings recognised on the Balance Sheet is consistent with the valuation as reported by the Council's external valuer and should include the full housing stock as at the balance sheet date, i.e. including any additions purchased in year.	We recommend that in future the Council seek to inform its valuers of any such changes in year to the housing stock to determine the impact of any on the valuation of Council Dwellings as at the balance sheet date. <b>Management response</b> Management agree with this recommendation and will ensure it is actioned going forward.
 Medium	<b>Internal valuer's terms of engagement</b> Our auditor's valuers advised us that from their review of the instructions provided that in respect of the internal valuer, whilst it may be that the Valuer has not issued the formal terms of engagement document in the past it is an area which has been under closer scrutiny in recent years by the RICS. They conclude that it is just as, or even more important, for an Internal Valuer to issue this document as there are additional areas within the legislation for terms of engagement which are specifically aimed at internal valuers (in relation to objectivity etc). Therefore, they recommended that within the instruction the client should ask for this document to be completed. This was duly produced but noted here so that this is considered as part of the arrangements going forward and an agreement drawn up as part of the process for future year-ends.	We recommend that the Council ensures that it has a formal terms of engagement with its internal valuer as part of the valuation process. <b>Management response</b> Management are working with the valuer to ensure a terms of engagement are issued going forward.

## Controls



-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Action plan

Assessment	Issue and risk	Recommendations
 Medium	<p><b>Differences between carrying value and current value</b></p> <p>In our initial review of the financial statements we identified that there was £27.4m of other land and buildings that were not subject to revaluation as at 31 March 2020 and therefore we challenged the Council how it had satisfied itself that carrying value as at the balance sheet date is not materially different to its fair value. As a response to this query, the Council subsequently valued 4 additional assets.</p> <p>No adjustments to the accounts are proposed by the Council as a result of this work as the only large change in valuation is West Gate, which is an increase of £7.1m. The total change is £9.3m (which is below our materiality) and therefore the adjustment has not been made. It has however, been reported to you as an unadjusted misstatement and a recommendation made to ensure that the carrying value of assets not revalued is reviewed as part of the closedown process to provide assurance that there is no material difference between the carrying value and the current value.</p>	<p>We recommend that the Council enhance its closedown process to include consideration of the carrying value of any assets not valued to ensure carrying value is not materially different to current value.</p> <p><b>Management response</b></p> <p>Work is currently being undertaken to ensure better controls around valuations going forward.</p>
 Medium	<p><b>Declaration of interests</b></p> <p>We identified as part of our planning work that there were a number of instances (albeit historic) of members not completing their declarations of interests. When we reviewed the related parties disclosures and compared them to companies house we identified some apparent discrepancies, which have been discussed with the Council, leading to interests in respect of three Councillors being updated. We recommend that all those who are required to declare interests are reminded of the need to update them on a real time basis.</p>	<p>We recommend that all those who are required to declare interests are reminded of the need to update them on a real time basis.</p> <p><b>Management response</b></p> <p>Management will work to improve the governance around this going forward.</p>



# Action plan

Assessment	Issue and risk	Recommendations
 Medium	<b>Fixed Penalty Notices</b> As part of our audit we received information in respect of the Council's policies and operational procedures in respect of the issuing of Fixed Penalty Notices (FPNs) within the City Council's Wardens Services.	<p>We recommend that the Council reviews the suite of key performance indicators utilized in the Wardens Service to ensure that they fully meet the DEFRA Code of Practice on Litter and Refuse expectations in respect of performance being monitored and reported in terms of the impact the Council's actions are having in improving environmental cleanliness.</p> <p><b>Management response</b> Agreed.</p>
47  Medium	<b>Review of savings and ongoing monitoring</b> Council policy as part of the managed reserves strategy has been not to remove savings from budgets until they have been achieved, such that savings are not built into budgets that are not subsequently not achieved. The Council is aware that there needs to be monitoring of progress of savings that need to be achieved through the spending reviews.	<p>We note as part of our VFM commentary that while the Council can weather any shortfall in the short term if savings cannot be made, there is an ongoing need for the Council to continue revisiting its projections and forecasts as new information on Covid costs, guidance and requirements come to light.</p> <p><b>Management response</b> The Council is closely monitoring the financial pressures being place on it due to the COVID-19 pandemic and are regularly reporting this to the Overview Scrutiny Committee.</p>

# Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

Any adjusted and unadjusted misstatements agreed with management and made to the draft accounts will be set out in the next iteration of our Audit Findings Report. One adjustment has been agreed to date which is set out below but as work is ongoing, further misstatements could be identified. We will update the Committee at its next meeting with a further iteration of our Audit Findings Report.

Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure
<b>Capital Grants Receipt in Advance</b> The finance team brought to our attention an error in the Capital Grants Receipt in Advance: it erroneously retained £4.3m for Basic Need Grant that should have been recognised in 2019/20.	Increase grant income by £4.3m	Reduce grant liabilities by £4.3m	Decrease net expenditure by £4.3m
<b>Adjustment in respect of revised IAS19 actuarial report</b> The original report produced by the actuary was based on information provided by the Administering Authority and actual returns for the period 1 April 2019 to 31 December 2019 with an estimated return applied to 31 March 2020. An updated actuarial report has subsequently been commissioned and an updated report provided which gives a net reduction in the pension liability of £5.3m.	Decrease of associated CIES lines by £5.3m	Decrease liability by £5.3m	Decrease net expenditure by £5.3m
<b>There is a net nil impact on the general fund in respect of this adjustment due to statutory adjustments the Council is required to make.</b>			
<b>Overall impact</b>	<b>£9.6m</b>	<b>£9.6m</b>	<b>£9.6m</b>

# Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Impairment Accounting policy	Accounting policy to be updated to ensure that it is in line with the Code.	Yes
IFRS 16 disclosure	Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this. The accounts to be updated in this regard.	Yes
Material estimation uncertainty – PPE	Both valuers have now provided their valuation on the basis of "material valuation uncertainty". This therefore represents estimation uncertainty which we would expect to be disclosed. Note 5 has been updated in this regard.	Yes
Material estimation uncertainty – pension fund	As there is a material uncertainty in the pension fund accounts in relation to property assets, and the Council's share of these assets is material, this therefore represents an estimation uncertainty which we would expect to be disclosed. Note 5 has been updated in this regard.	Yes
Prior period adjustment accounting policy	As the Council have included a prior period adjustment at Note 6, a corresponding accounting policy is required.	Yes
Note 1 Accounting Policies - Property Plant and Equipment	Accounting policy amended to make clear that surplus assets should be measure at fair value rather than current value.	Yes
Note 4 Critical Judgements in Applying Accounting Policies	This narrative has been expanded to include the Council's judgement in relation to schools. The Property, Plant and Equipment figure disclosed on the Balance Sheet includes 2 maintained schools that the council has substantial control over, but does not legally own. If these schools were omitted it would reduce the Property, Plant and Equipment figure by £8.5m.	Yes
Note 15 Expenditure & Income Analysed by Nature	This note was prepared prior to two late journals that reallocated Income and Expenditure items and therefore the breakdown of other service expenses and fees & charges found to be incorrect when reconciling transaction totals to the note. Impact is to increase other service expenses by £7,902k and reduce Fees & Charges by £7,902. This is a reclassification adjustment only and has a net nil impact on the general fund.	Yes
Note 16 - Capital Commitments	Commitments in relation to Pioneer Park Workspace and Leisure Centre Improvement Programme have been updated to agree to supporting evidence.	Yes
Pooled Budgets Care Fund	Whilst the Council is not the lead for this pooled budget, due to the significance of the amounts involved it was agreed to add the memorandum account to note 31.	Yes
Events after the balance sheet date	Note 18 has been updated to reference Covid-19 and the ongoing impact of the pandemic on the Council.	Yes

# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which, to date have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below. As work is ongoing, further misstatements could be identified. We will update the Committee at its next meeting with a further iteration of our Audit Findings Report.

Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure	Reason for not adjusting
<b>Assets not valued</b> In our initial review of the financial statements we identified that there was £27.4m of other land and buildings that were not subject to revaluation as at 31 March 2020. 4 additional assets were subsequently revalued which would have the effect of increasing the Council's other land and buildings by £9.3m.  <b>There is a net nil impact on the general fund in respect of this adjustment.</b>	-	Increase valuation by £9.3m  Increase revaluation reserve by £9.3m	-	Not considered to be material
<b>Valuations not processed</b> During our reconciliation of the valuer's certificates to the fixed asset register we identified assets which had not been processed but should have been. Had these adjustments been processed the value of the Council's other land and buildings would have increased by £2.490m.  <b>There is a net nil impact on the general fund in respect of this adjustment.</b>	-	Increase valuation by £2.5m  Increase revaluation reserve by £2.5m	-	Not considered to be material
<b>Valuation errors</b> As a result of various errors identified as part of our sample testing of valuations it was identified that the Council's other land and buildings are undervalued by £1.224m.  <b>There is a net nil impact on the general fund in respect of this adjustment.</b>	-	Increase valuation by £1.2m  Increase revaluation reserve by £1.2m	-	Not considered to be material
<b>Overall impact</b>	£-	£13m	£-	

## Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements identified that we need to take account of in respect of the 2019/20 audit.

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Draft fee	Proposed final fee
Council Audit	112,884	133,234
Uplift to scale fees to reflect additional work required as a result of the Covid-19 outbreak - indicative	-	16,933
<b>Total audit fees (excluding VAT)</b>	<b>£112,884</b>	<b>£150,167</b>

The disclosure in Note 34 of the accounts is as follows and with the exception of rounding we are satisfied that statutory fees as well as non-audit fees for other services as set out in this report, reconciles to the financial statements, with the exclusion of the proposed uplift as this fee is not yet agreed and is subject to approval by PSAA.

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

	2018/19	2019/20
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	113	133
Fees payable for the certification of grant claims and returns for the year	53	54
Fees payable in respect of other services provided during the year	11	11
<b>Total</b>	<b>177</b>	<b>198</b>

Non-audit fees for other services	Fees
<b>Audit Related Services:</b>	
• Housing capital receipts	5,075
• Teachers Pension Return	5,500
• Housing Benefit Subsidy Claim	54,000
<b>Non- Audit Related Services</b>	-
<b>Total non- audit fees (excluding VAT)</b>	<b>£64,575</b>



# Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	<p>We are not aware of any related parties or related party transactions which have not been disclosed.</p> <p>We did however, identify as part of our planning work that there were a number of instances (albeit historic) of members not completing their declarations of interests. When we reviewed the related parties disclosures and compared them to companies house we identified some apparent discrepancies, which have been discussed with the Council, leading to interests in respect of three Councillors being updated. We recommend that all those who are required to declare interests are reminded of the need to update them on a real time basis.</p> <p>We have requested an additional disclosure to be made in relation to related parties to reflect an officer who is a Director of Leicester Arts Centre</p>
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b> 53	<p>We are proposing the inclusion of additional representations to the standard requirements as follows:</p> <ul style="list-style-type: none"> <li>• “The prior period adjustment disclosed in Note 6 to the financial statements is accurate and complete. There are no other prior period errors to bring to your attention.”</li> <li>• Reference to the unadjusted misstatements as recorded in Appendix B, and</li> <li>• Recognition of the impact of Covid-19 on the valuation material uncertainty.</li> </ul>
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to those organisations with which it banks, invests and borrows. Permission was granted and the requests were duly sent. 1 investment confirmation remains outstanding and is being actively chased. Of the confirmations received to date, there have been no issues arising.
<b>Disclosures</b>	<p>Appendix B summarises the most significant amendments made to disclosures to this year's financial statements. In addition a small number of amendments were made to improve clarity for the reader.</p> <p>As part of our audit work on the Council's financial statements for the year ending 31 March 2020, the accounts have been subject to a technical review. The technical review process is a key element of our quality and risk management procedures and clients within the review population, such as the Council, are subject to review ever three years on a rotational basis. The purpose of a technical review is to read the whole draft financial statements together with material in the supporting narrative as an informed user and to identify areas which may appear confusing, misleading or to have inappropriate accounting treatments or disclosures. This review is undertaken by a team separate to the audit team. As a result of the review no fundamental issues were noted in the draft financial statements and Appendix C picks up changes to the accounts. There are a small number of matters which have not been amended but which we do not consider to have a material influence on the understanding of the user of the accounts and therefore there is no impact on our audit report. These have been discussed with the finance team and where they are recurring will be considered as part of the accounts preparation for the financial statements for the year ending 31 March 2021:</p> <ul style="list-style-type: none"> <li>• Note 5 estimation uncertainty - where there are uncertainties it would be useful to include more information on what the specific assumptions are that could give rise to any material change.</li> <li>• Note 19d financial instruments - enhancing the disclosure to describe the specific valuation techniques and inputs used in the fair value measurements.</li> <li>• Note 40 Integrated Waste Management Scheme – has been enhanced this year through narrative to separately report the payments expenditure to fund the capital lifecycle replacements costs as this isn't a repayment of the liability that is currently reported but recommend reviewing whether tabular format can be enhanced to pick this up recurrently.</li> </ul>
<b>Other communications</b>	As part of our audit we received information in respect of the Council's policies and operational procedures in respect of the issuing of Fixed Penalty Notices (FPNs) within the City Council's Wardens Services. While we do not believe there is any formal audit action we are required to take at this time (based upon the information we have seen to date) we have been in correspondence with the Council and recommended that it review the suite of key performance indicators utilized in the Wardens Service to ensure that they fully meet the DEFRA Code of Practice on Litter and Refuse expectations in respect of performance being monitored and reported in terms of the impact the Council's actions are having in improving environmental cleanliness.

# Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Impairment Accounting policy	Accounting policy to be updated to ensure that it is in line with the Code.	Yes
IFRS 16 disclosure	Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this. The accounts to be updated in this regard.	Yes
Material estimation uncertainty	<ul style="list-style-type: none"> <li>Both of the Council's valuers have now provided their PP&amp;E valuations on the basis of "material valuation uncertainty".</li> <li>A material valuation uncertainty has been disclosed in the pension fund accounts in relation to property assets, and the Council's share of these assets is material.</li> </ul> <p>These both represent estimation uncertainties which we would expect to be disclosed. Note 5 has been updated in this regard.</p> <ul style="list-style-type: none"> <li>To aid readers, and better comply with IAS 1, Note 5 has been amended to be more specific of the balances it refers to.</li> </ul>	Yes
Prior period adjustment accounting policy	As the Council have included a prior period adjustment at Note 6, a corresponding accounting policy is required.	Yes
Note 1 Accounting Policies - Property Plant and Equipment	Accounting policy amended to make clear that surplus assets should be measure at fair value rather than current value.	Yes
Note 4 Critical Judgements in Applying Accounting Policies	This narrative has been expanded to include the Council's judgement in relation to schools. The Property, Plant and Equipment figure disclosed on the Balance Sheet includes 2 maintained schools that the council has substantial control over, but does not legally own. If these schools were omitted it would reduce the Property, Plant and Equipment figure by £8.5m.	Yes
Note 15 Expenditure & Income Analysed by Nature	This note was prepared prior to two late journals that reallocated Income and Expenditure items and therefore the breakdown of other service expenses and fees & charges found to be incorrect when reconciling transaction totals to the note. Impact is to increase other service expenses by £7,902k and reduce Fees & Charges by £7,902k. This is a reclassification adjustment only and has a net nil impact on the general fund.	Yes
Note 16 - Capital Commitments	Commitments in relation to Pioneer Park Workspace and Leisure Centre Improvement Programme have been updated to agree to supporting evidence.	Yes
Pooled Budgets Care Fund	Whilst the Council is not the lead for this pooled budget, due to the significance of the amounts involved it was agreed to add the memorandum account to note 31.	Yes
Events after the balance sheet date	Note 18 has been updated to reference Covid-19 and the ongoing impact of the pandemic on the Council.	Yes
Other disclosures	<ul style="list-style-type: none"> <li>Table 2 of Note 19b has made it clearer those assets being valued as fair value through profit and loss" rather than just "fair value" to clarify their classification i.e. not through Other Comprehensive Income</li> <li>Note 40 has been enhanced to separately report the payments expenditure to tie the capital lifecycle replacements costs as these are not repayments of the liability that is currently reported.</li> </ul>	Yes





# ANNUAL ACCOUNTS

## Leicester City Council

### 2019/20



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# Introductory Statements

# Narrative Statement

This report sets out to provide the context for the Council's financial statements and to demonstrate how the Council has achieved its desired objectives for 2019/20.

## 1. Introduction

Leicester City Council is a unitary authority in the East Midlands, consisting of 54 councillors, representing 22 wards in the city, overseen by a directly elected mayor.

The Council's responsibilities are wide-ranging and include services it is legally required to provide (e.g. adult social care and waste collection) as well as discretionary services such as parks, open spaces and leisure centres.

Leicester City Council employs more than 12,000 staff, who are responsible for delivering services to a diverse range of customers. Examples of the areas in which they work are below:

- Neighbourhood and Environmental Services
- Adult Social Care
- Children's Social Care
- Housing
- Public Health & Sports
- Over half the employees working within our schools.

The vision of the Council is that we will operate with creativity and drive for the benefit of Leicester and its people. To achieve this, we have committed to five values:

- Be confident
- Be clear
- Be respectful
- Be fair
- Be accountable

The Mayor's vision for the Council is to enhance people's confidence and pride in our city, because when people feel proud about where they live they become part of it. The Mayor's key pledges in 2019/20 are:

- A Fair City
- Homes for All
- Connecting Leicester
- Sustainable Leicester
- Health & Care
- Lifelong Learning
- A City to Enjoy
- A Safe and Inclusive Leicester

These key pledges set the medium to the long – term strategies of the Council.

Some of the key outcomes from the Mayor's pledges in 2019/20 have been:

- Continuing significant infrastructure works to improve local transport routes through the City.
- The Council continues to manage its budget without crisis.
- Progress was made in relation to the Water-side Regeneration project.
- Continued investment in Council housing and the approval of significant investment in affordable housing going forward.

# Narrative Statement

## 2. Financial Performance

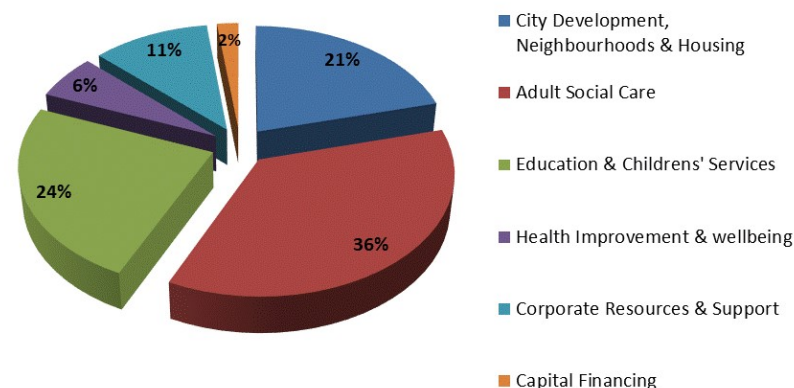
The Council has seen pressures on its budget in 2019/20 and this is forecast to continue into future years. The Council has addressed the issue through a programme of spending reviews, which are seeking savings from a range of service areas. This approach is complemented by a 'managed reserves strategy', whereby reserves have been consciously increased to buy time to implement future reductions in a planned way.

Net expenditure on provision of services was £354m in 2019/20 and £312m in 2018/19. The chart to the right sets out the spend by General Fund service area.

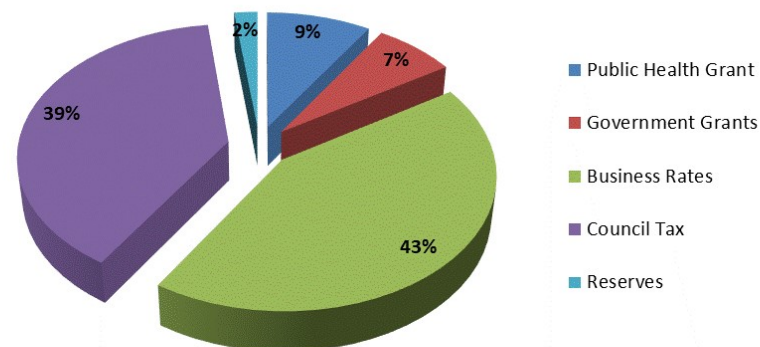
The services above are funded through various resources as demonstrated below. During 2019/20, the Council was part of the Leicester & Leicestershire 75% Business Rates Pool. This meant the Council received more of its money from business Rates compared to previous years and did not receive funding from the Revenue Support Grant. This was a one year pilot and the Council will revert to the standard 50% business rates scheme in 2020/21.

The Expenditure and Funding Analysis at note 2 in the accounts shows the relationship between the outturn position above and what is reported in the Council's Comprehensive Income & Expenditure Statement.

**2019/20 Spend by Category**  
(General Fund Net Spend)



**2019/20 Sources of Funding**  
(General Fund)

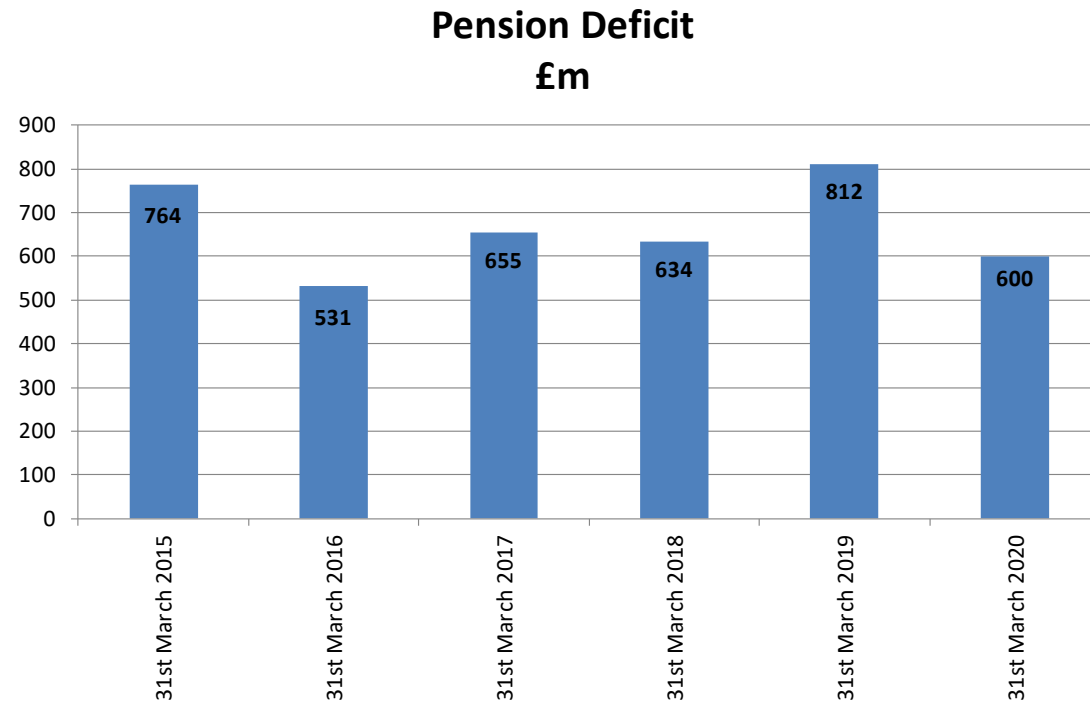


# Narrative Statement

## Pension Liabilities

The Council is a member of the Leicestershire local authority pension scheme. In common with most such schemes, the Council's share of the pension fund shows a significant deficit. This represents the difference between expected investment returns and the cost of providing benefits to scheme members which have been earned to date.

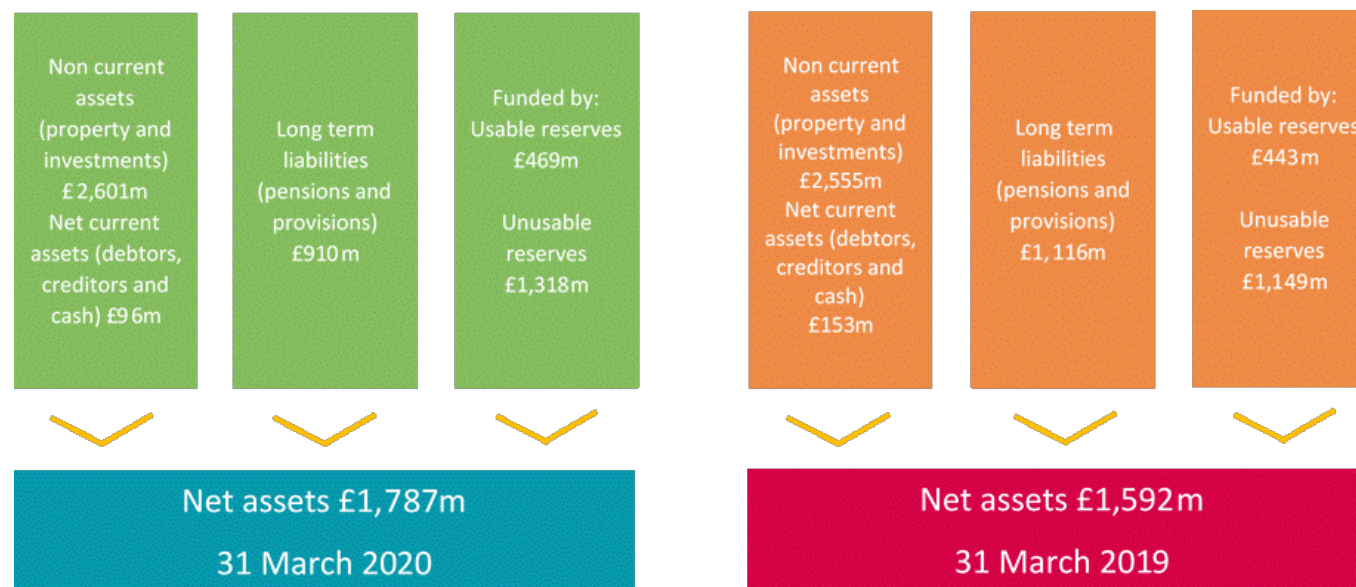
Variations between the years will occur, principally due to changes in assumptions made by the scheme actuaries about the growth of future liabilities and rates of returns on the fund's investments. The graph to the right illustrates the volatility that can occur on a year-by-year basis because of these changes, and hence, the limited context in which annual movements should be viewed.



# Narrative Statement

## Net Assets

The Council maintains a strong balance sheet despite financial challenges, with net assets of £1,787m at 31st March 2020 (£1,592m at 31st March 2019).



## Cash Flow Management

Cash management differs from budget management in that cash balances do not represent sums which could be used to support the budget.

The Council's treasury strategy is based on utilising cash balances to fund capital expenditure without the need to borrow.

Cash & Cash equivalents at 31st March 2020 were £59m, £17m higher than the previous year. A substantial portion of the Council's cash balances can only be used to repay debt, but this is seldom possible as Government rule changes made it prohibitively expensive to repay PWLB debt.

Towards the end of 2019/20, the country was impacted by the Covid-19 pandemic. This necessitated a change of emphasis in the Council's treasury management to ensure sufficient liquidity.

# Narrative Statement

## Capital

The Council has an ambitious capital programme aimed at regenerating the City, including:

- Neighbourhood works
- Council house improvements
- Additional school places

Capital expenditure of £120m was incurred in 2019/20 compared to £107m in 2018/19. Details of the spending can be seen in the table.

The key projects within 2019/20 that are expected to continue during 2020/21 and beyond are Leicester North West transport scheme, redevelopment of Waterside, and creation of additional school places.

Capital Expenditure 2019/20		
Category	£m	Spending includes;
Planning, Development & Transport	33.7	Leicester North West Major Transport Scheme, Connecting Leicester, Waterside Strategic Regeneration area, Ashton Green
Housing Revenue Account	43.1	Affordable Housing Acquisitions, Council House Improvements; including environment and communal
Schools	16.5	Primary and secondary expansions and school's maintenance
Tourism, Culture & Inward Investment	3.3	Leicester Market redevelopment & Cultural Investment Programme
Estates & Building Services	9.7	Haymarket House & Property Maintenance
Neighbourhood & Environmental Services	1.1	City Centre Playground & CCTV - Infrastructure Improvements
Housing General Fund	2.3	Disabled facilities grant, repayable home repair loans
Leases & PFI	4.1	Waste management vehicle additions & Haymarket Car Park
Growing Places Loan	4.3	Loans to organisations to support projects designed to unlock wider economic growth
Other	2.0	Children's Homes & Adult Social Care capital schemes
<b>TOTAL</b>	<b>120.1</b>	



# Narrative Statement

## Leicester and Leicestershire Enterprise Partnership (LLEP)

The Council is the accountable body for the LLEP. The LLEP is a strategic body made up of local government and business leaders as well as senior education and third sector representatives. The LLEP's remit is to drive forward re-generation and growth of the local economy, by:

- Working with Government to set out key investment priorities for Leicester & Leicestershire
- Engaging with business, local authorities, Higher Education, Further Education, the voluntary sector and other stakeholders
- Facilitating local partnership working and relations with national Government
- Influencing national Government economic policy and spending
- Investing LLEP funding and aligning partner resources
- Through its investments, influence and activities ensure positive outcomes for the local economy

As the accountable body for the LLEP the Council looks after the body's finances. As at the 31<sup>st</sup> March 2020 the Council was holding £19.6m of the LLEP's balances, this is shown as a creditor in the balance sheet. The LLEP'S income and expenditure is not included in the core statements of the Council.

The table below shows the total operating income & expenditure for the LLEP during 2019/20.

	19/20 £000's
<b>Income</b>	
Grants	700
Contributions	280
National and Local Programme Income	741
Fees, Interest and Other Income	518
	<u>2,239</u>
<b>Expenditure</b>	
Staffing	848
Running Costs	326
Accountable Body Costs	179
Programme Delivery	615
	<u>1,968</u>
<b>Net Surplus / (Deficit)</b>	<u><b>271</b></u>

The LLEP is also responsible for administering the surplus for the Leicester & Leicestershire Business Rates Pool.

### Covid-19

In March, 2020, the Covid-19 virus pandemic struck the UK. The Council took a lead role in supporting vulnerable people and the local economy, and administered a number of Government support programmes. Some services closed, reducing the income available to the Council, and many staff commenced working from home. Some staff were deployed to assist with the Council's response to the pandemic. The financial impact in 2019/20 was minor, with the Council incurring additional expenditure of less than £1m. The major financial impact will be felt in 2020/21 and future financial years, the severity of which will depend on the length of the

lockdown period(s). Significant costs are expected in adult social care (stabilising the social care market). Reductions in income have been experienced in a number of areas, notably car parking and leisure services. The impact is also expected to be felt in collection of council tax, non-domestic rates and housing rents.

The Council has received a number of grants from the Government to help meet the consequences of the pandemic, in addition to substantial grants (in excess of £100m) to support specific government initiatives (the key ones being grants to support businesses and additional rate relief). The Director of Finance is under an obligation to make a formal report under section 114 of the Local Government Finance Act, 1988, if she believes that expenditure for 2020/21 is likely to exceed resources. The Director does not believe that such a report will need to be made.

The pandemic is likely to lead to changes in the way the Council provides its services in the future, which in turn will impact its financial strategy. Some costs incurred to manage the pandemic may prove to be permanent. The Council will also need to respond to the economic impacts, including the potential consequences for the city's retail sector.

The Council will need to carry out a more fundamental review of its revenue and capital priorities as part of its budget planning for 2021/22.

# Narrative Statement

## **3. Governance**

Details regarding the Council's governance arrangements can be found in the Annual Governance Statement (page 155) along with the significant risks facing the authority.

## **4. Looking Ahead**

The Council has set a balanced budget for 2020/21. Further detail on the Council's long-term strategy can be found in the budget report; <http://www.cabinet.leicester.gov.uk:8071/documents/g9403/Public%20reports%20pack%20Wednesday%2019-Feb-2020%2017.00%20Council.pdf?T=10>

The strategy predated the Covid pandemic, and the future outlook is going to be heavily contingent on its long-term consequences (discussed above) and the Government's response (including any new expectations placed on the Council to be ready for any future pandemic). The Government's proposed changes to local government finance, including a review of how funding is allocated, will no longer take place in 2021/22. We do not know the extent to which any fundamental changes to the cost bases of local authorities will be met by Government grant.

In common with other authorities nationally, we continue to face growth in social care costs. While this is acknowledged as a national pres-

sure, there has been no national consensus on the means of meeting these costs in the future. Government intentions for social care funding beyond 2020/21 are not known. A Green Paper was planned in 2018, although it has been delayed several times and the final publication date is unclear. It is expected that the pandemic will have delayed this further.

Like all sectors in the UK the Council faces risk from the UK's future trading arrangements with the EU, particularly if trading is on World Trade Organisation terms.

Further detail on the risks facing the Council can be found in the Annual Governance Statement.

## **5. Conclusion**

The Council will continue to operate within a reducing revenue budget envelope for the immediate future. With continuing demographic and needs led pressures, managing within its means whilst providing good quality services will remain the primary challenge to the Council.

The Council will need to continue to work to ensure that it uses its cash and fixed asset resources in the most efficient and effective way possible. This will be important in maximising available resources whilst operating with prudent financial disciplines.

Further details on the Council's organisational structure, corporate plans and strategic issues can be found in the Annual Governance Statement.

# Narrative Statement

## 6. Structure of the Statement of Accounts and Core Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2020. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. This is based on International Financial Reporting Standards adopted for use in the public sector context.

The Core Statements are:

- The **Comprehensive Income and Expenditure Statement (CIES)** – this shows the net cost of providing services. This statement is prepared on the accounting basis. The Expenditure and Funding Analysis compares the CIES with the level of income and expenditure which are taken into account when setting the annual budget and council tax, since certain amounts are disregarded under statute.
- The **Movement in Reserves Statement** is a summary of the changes in the Council's reserves over the course of the year. Reserves are divided into usable reserves which can be used to fund future expenditure and unusable reserves which are maintained to meet statutory responsibilities.

- The **Balance Sheet** shows the Council's assets and liabilities at the year end. Net assets are matched by reserves which may be usable or unusable.
- The **Cash Flow Statement** shows the changes in cash and cash equivalents during the year and explains the reasons.

The Supplementary Financial Statements are:

- The **Annual Governance Statement** which provides an overview of the Council's key governance arrangements. Along with updating readers on the conclusions of the annual review, including any changes and improvements that are being made.
- The **Housing Revenue Account** is a statutory ringfenced account relating to the provision of rented social housing.
- The **Collection Fund** which records all income and expenditure in relation to council tax and business rates and the redistribution to precepting authorities.

The notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

## **Group Accounts Preparation:**

The Council has not identified any subsidiaries, associated companies or joint ventures in which it has material interest and therefore is not required to prepare group accounts.

# 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 Director of Finance.
- Manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

These accounts were approved at a meeting of the Audit & Risk Committee on the

## Statement of Responsibilities for the Statement of Accounts (continued)

### The Director of Finance's Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance has:

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

The Director of Finance has also:

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

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the City Council and its income and expenditure for the year ended 31<sup>st</sup> March 2020.

**Signed:**

**Alison Greenhill CPFA, Director of Finance      Date:**

# Independent Auditor's Report to the Members of Leicester City Council









# Core Financial Statements

# Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement** shows the Council's actual financial performance for the year on the accounting basis, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This statement shows a surplus in 2019/20 of £186m.

Total comprehensive income and expenditure includes various transactions which illustrate aspects of the Council's financial position but do not impact on the 'bottom line' amounts chargeable to taxpayers, in particular gains on the revaluation of pension liabilities and gains on revaluation of property assets.

Restated 2018/19			2019/20			
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000	Note	£000	£000	£000
191,588	(84,194)	107,394	City Development & Neighbourhoods	192,326	(65,792)	126,534
87,248	(82,573)	4,675	Housing Revenue Account (HRA)	83,625	(79,655)	3,970
152,819	(64,104)	88,715	Adult Social Care	166,407	(69,333)	97,074
27,387	(33,089)	(5,702)	Health Improvement & Wellbeing	26,174	(32,972)	(6,798)
394,925	(311,314)	83,611	Education & Children's Services	401,973	(281,925)	120,048
41,478	(10,526)	30,952	Corporate Resources & Support	46,919	(18,961)	27,958
108,548	(112,075)	(3,527)	Housing Benefits	92,276	(94,258)	(1,982)
6,223	(313)	5,910	Corporate Items	(4,505)	(7,839)	(12,344)
-	(517)	(517)	Capital Financing	-	(518)	(518)
<b>1,010,216</b>	<b>(698,705)</b>	<b>311,511</b>	<b>Cost of Services</b>	<b>1,005,195</b>	<b>(651,253)</b>	<b>353,942</b>

## Comprehensive Income and Expenditure Statement (continued)

Restated 2018/19			2019/20				
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp	
£000	£000	£000		Note	£000	£000	£000
		59,175	Other Operating Expenditure	12			54,851
		53,164	Financing and Investment Income and Expenditure	13			35,096
		(346,832)	Taxation and Non-Specific Grant Income	14			(309,592)
		<b>77,018</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>15</b>			<b>134,297</b>
		(280,040)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	27b			(74,561)
		129,710	Remeasurement of the Net Defined Benefit Liability	43			(254,639)
		<b>(150,330)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(329,200)</b>
		<b>(73,312)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(194,903)</b>

# Movement in Reserves Statement

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves which contain items that illustrate the difference between the Council’s financial position under accounting standards (the “accounting basis”) and the amount charged to the taxpayer for the year (the “funding basis”).

2019/20		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Restated Balance at 31st March 2019 brought forward</b>		<b>(15,000)</b>	<b>(222,005)</b>	<b>(237,005)</b>	<b>(30,508)</b>	<b>-</b>	<b>(105,823)</b>	<b>(69,665)</b>	<b>(443,001)</b>	<b>(1,149,203)</b>	<b>(1,592,204)</b>
Total Comprehensive Expenditure and Income		116,867	-	116,867	17,430	-	-	-	<b>134,297</b>	(329,200)	<b>(194,903)</b>
Adjustments between accounting basis & Funding basis under regulation	10	(139,296)	-	(139,296)	(19,747)	-	(4,618)	3,037	<b>(160,624)</b>	160,624	-
Transfers to/(from) Earmarked Reserves	11, 27	22,429	(22,429)	-	-	-	-	-	-	-	-
<b>Balance at 31st March 2020 carried forward</b>		<b>(15,000)</b>	<b>(244,434)</b>	<b>(259,434)</b>	<b>(32,825)</b>	<b>-</b>	<b>(110,441)</b>	<b>(66,628)</b>	<b>(469,328)</b>	<b>(1,317,779)</b>	<b>(1,787,107)</b>

## Movement in Reserves (continued)

Restated 2018/19		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Restated Balance at 31st March 2018 brought forward</b>		<b>(15,000)</b>	<b>(189,962)</b>	<b>(204,962)</b>	<b>(30,745)</b>	<b>-</b>	<b>(84,742)</b>	<b>(22,259)</b>	<b>(342,708)</b>	<b>(1,176,184)</b>	<b>(1,518,892)</b>
Total Comprehensive Expenditure and Income		48,726	-	48,726	28,292	-	-	-	<b>77,018</b>	(150,330)	<b>(73,312)</b>
Adjustments between accounting basis & Funding basis under regulation	10	(80,769)	-	(80,769)	(28,055)	-	(21,081)	(47,406)	<b>(177,311)</b>	177,311	-
Transfers to/(from) Earmarked Reserves	11, 27	32,043	(32,043)	-	-	-	-	-	-	-	-
<b>Restated Balance at 31st March 2019 carried forward</b>		<b>(15,000)</b>	<b>(222,005)</b>	<b>(237,005)</b>	<b>(30,508)</b>	<b>-</b>	<b>(105,823)</b>	<b>(69,665)</b>	<b>(443,001)</b>	<b>(1,149,203)</b>	<b>(1,592,204)</b>

# Balance Sheet

The Balance Sheet shows the Council's assets and liabilities.

The top of the Balance Sheet shows the Council's net assets. Assets include property, plant & equipment, intangible assets, amounts owed to the Council and the Council's cash and financial investments. Liabilities include amounts owed by the Council (including conditional funding received), provisions made in respect of future events (see Note 25), the Council's borrowing and the deficit on the Council's pension fund.

The bottom of the Balance Sheet shows how the Council's net assets are financed by reserves, which are divided into usable and unusable reserves.

<b>Restated 31st March 2019</b>		<b>Note</b>	<b>31st March 2020</b>
<b>£000</b>			<b>£000</b>
2,438,937	Property, Plant & Equipment	16	2,410,395
92,227	Heritage Assets	17	90,491
1,600	Intangible Assets	18	940
15,000	Long Term Investments	19	85,000
7,741	Long Term Debtors	21	13,831
<b>2,555,505</b>	<b>Long Term Assets</b>		<b>2,600,657</b>
200,021	Short Term Investments	19	153,712
3,863	Assets Held For Sale (<1 year)	23	2,100
3,032	Inventories	20	2,747
49,409	Short Term Debtors	21	54,857
41,673	Cash and Cash Equivalents	22	59,043
<b>297,998</b>	<b>Current Assets</b>		<b>272,459</b>

## Balance Sheet (continued)

Restated 31st March 2019 £000		Note	31st March 2020 £000
(11,091)	Short Term Borrowing	19	(34,046)
(128,016)	Short Term Creditors	24	(137,653)
(6,052)	Provisions (<1 year)	25	(4,620)
<b>(145,159)</b>	<b>Current Liabilities</b>		<b>(176,319)</b>
(6,602)	Provisions (>1 year)	25	(12,524)
(180,119)	Long Term Borrowing	19	(180,115)
(915,673)	Other Long Term Liabilities	19	(703,168)
(13,746)	Capital Grants Receipts in Advance	36	(13,884)
<b>(1,116,140)</b>	<b>Long Term Liabilities</b>		<b>(909,691)</b>
<b>1,592,204</b>	<b>Net Assets</b>		<b>1,787,106</b>
	<u>Represented by:</u>		
443,001	Usable Reserves	26	469,328
1,149,203	Unusable Reserves	27	1,317,778
<b>1,592,204</b>	<b>Total Reserves</b>		<b>1,787,106</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.

<b>Restated 2018/19</b>			<b>2019/20</b>
<b>£000</b>		<b>Note</b>	<b>£000</b>
77,018	Net (surplus) or deficit on the provision of services		134,297
(213,500)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	28	(260,918)
144,206	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	28	76,714
<b>7,724</b>	<b>Net cash flows from Operating Activities</b>		<b>(49,907)</b>
(69,024)	Net cash flows from Investing Activities	29	50,997
63,695	Net cash flows from Financing Activities	30	(18,460)
<b>2,395</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(17,370)</b>
44,068	Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period		41,673
<b>41,673</b>	<b>Cash in hand /(overdraft) and cash equivalents at the end of the reporting period</b>	<b>22</b>	<b>59,043</b>

# Explanatory Notes To The Core Financial Statements

# Note 1 Accounting Policies

## Changes in Accounting Policies

In 2019/20 there are no changes to our accounting policies.

## Accounting Policies for 2019/20

### 1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual statement by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

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. Figures within the Statement of Accounts may be adjusted by up to £2,000 to take account of rounding differences arising due to reporting figures in thousands (£000s)

### 2. Recognition of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed. Where supplies are held for future use they are shown as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded when the services are received rather than when payments are made
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 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 within three months from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### 4. Charges to Revenue for Non-Current Assets

Service revenue accounts & support services are charged 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. Depreciation is calculated on opening Net Book Values

## Note 1 Accounting Policies (continued)

### 4. Charges to Revenue for Non-Current Assets (continued)

- Revaluation & impairment losses on assets used by the service where there were no accumulated gains in the Revaluation Reserve against which the losses 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 losses or amortisations. However, the Council's policy is to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements. This is known as "Minimum Revenue Provision" (MRP). The Council is also able to make additional voluntary MRP known as "Voluntary Set Aside" (VSA).

Depreciation, revaluations, impairment losses and amortisations are therefore replaced by MRP and VSA in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

The Council's full policy on the calculation of Minimum Revenue Provision is set out in the annual budget approved by Council. The Council's MRP policy brings the charge into line with asset lives.

### 5. Council Tax & Non Domestic Rates

The Council as a billing authority acts as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### Accounting for Council Tax and NDR

The council tax and NDR income included the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Councils General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

### 6. 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 wages, salaries, paid annual and sick leave, bonuses and other non-monetary benefits (e.g. cars) for current employees and are recognised in the year in which the employee renders the service. An accrual is made for the cost of holiday entitlement earned by the employee but not taken before the end of the financial year. The accrual is made at the wage and salary rates applicable in the period the employee takes the benefit. This accrual is charged to services and reversed into the period when the entitlement is taken. To avoid an impact on balances this is reversed in the Movement in Reserves Statement.

## Note 1 Accounting Policies (continued)

### 6. Employee Benefits (continued)

#### Termination Benefits

Termination benefits are payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or the officer's decision to accept voluntary redundancy.

These costs are charged on an accrual basis to the Non Distributed Costs in the CIES when the Council is committed to the termination, or makes an offer to encourage voluntary redundancy.

When these involve enhancement of pensions the General Fund is required to be charged with the amount payable, however this is adjusted (in line with regulations) in the Movement in Reserves Statement to reflect the cash paid rather than the liability incurred under accounting standards.

#### Post-employment Benefits

Employees of the Council may be members of one of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by Leicestershire County Council (LGPS)

- The NHS Pension Scheme (in relation to staff transferring from the NHS as part of the adoption of responsibility for public health), administered by the NHS Business Services Authority

All schemes provide defined benefits to members (retirement lump sums and pensions), to which entitlement is earned as employees work for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for those benefits cannot be identified as specifically accruing to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children and Education services line in the CIES is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council Pension Scheme attributable to Leicester City Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates,

employee turnover rates etc. and projections of future earnings for current employees.

- The assets of the Leicestershire County Council Pension fund attributable to Leicester City Council are included in the Balance Sheet at their fair value:
- The change in the net pensions liability between Balance Sheet dates is analysed into six components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the revenue accounts of services for which the employees worked.
  - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the CIES as part of Non-Distributed Costs.
  - Net interest on the defined benefit liability – the net of the expected increase in the present value of liabilities over the year arising from the passage of time and the expected return on scheme assets discounted at the discount rate used for the liabilities. This is part of Financing & Investment Income & Expenditure.

## Note 1 Accounting Policies (continued)

### 6. Employee Benefits (continued)

#### Post-employment Benefits (continued)

- Gains/losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services as part of Non-Distributed Costs.
- Re-measurements of the net defined benefit obligation – this is the change in the net pensions liability over the year attributable to changes in demographic and financial assumptions
- Contributions paid to the Leicestershire County Council Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement, to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pension Reserve measures the beneficial impact on the General Fund for

accounting on a cash basis rather than as the benefits are earned.

#### Discretionary Benefits

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

### 7. Events after Balance Sheet date

Events after the Balance Sheet date are those events, favourable or adverse, that occur between the end of the reporting period and the date that the Statements are authorised for issue. Two types of events could be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. The statements are adjusted to reflect this better understanding of the situation at the Balance Sheet date
- Those indicative of conditions that arose after the reporting period, but are relevant to the reader's understanding of the Council's financial position. The Statements are not adjusted, but if the events would have a material effect on the

reader's understanding, disclosure is made of the nature of the events and their estimated financial effect

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

## 8. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability.

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

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

## Note 1 Accounting Policies (continued)

### 8. Financial Instruments (continued)

#### Financial Assets (continued)

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

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

### 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 income at the date that the council satisfies the conditions of the entitlement to the grant/contribution and there is reasonable assurance that the monies will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions

attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that future economic benefits or service potentials embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or returned to the payer.

Monies advanced as grants and contribution for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

### 10. Leases

Leases are classified as either 'finance' or 'operating' leases.

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of property, plant or equipment from the lessor to the lessee.

All other leases are classified as operating leases – in these cases the annual receipt/payment is simply recognised in the CIES and the future commitments disclosed in the note to the accounts.

Where a lease covers both land and buildings each element is considered separately for classification. Arrangements that do not have the legal status but convey a right to use the asset in return for a consideration are accounted for under this policy.

#### *Council as Lessor*

Where the Council is a lessor and have granted a finance lease over property or equipment, which is considered material, the relevant asset is written out of the Balance Sheet. Rentals under such leases are apportioned between:

- Finance income (credited to Finance and Investment income in the CIES).
- Charge for acquisition of the interest in the property (this is treated as a capital receipt and is used to reduce the long-term debtor created at the start of the lease).

#### *Council as Lessee*

Where the Council is a lessee and holds assets under a finance lease the relevant assets are recognised as assets and added to the non-current assets on the Balance Sheet at the fair value measured at the lease inception (or the present value of minimum leases payments, if lower). The asset's recognition is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods they are incurred. Payments under such leases are apportioned between:

- Finance Income and charged to the Finance and Investment expenditure in the CIES.



## Note 1 Accounting Policies (continued)

### 10. Leases (continued)

- Charge for acquisition and debited against the lease liability created when the non-current asset is recognised on the Balance Sheet.

### 11. Property Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### *Recognition:*

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, subject to a de minimis limit of £10k so that small items of expenditure may be charged to revenue. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue.

#### *Measurement:*

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred during the construction period.

The cost of assets acquired other than by purchase, and donated assets, is deemed to be its current value. Gains are credited to the Revaluation Reserve and included in the Other Comprehensive Income and Expenditure line of the CIES.

Assets are carried in the Balance Sheet using the following measurement basis:

- Council dwellings – current value using basis of existing use value for social housing.
- Vehicles, plant and equipment - mainly at historic cost net of depreciation, with a few assets being subject to current value measurement.
- Infrastructure assets, Community assets and Assets under Construction – depreciated historic cost or nominal value in the main, with few being subject to current value measurement.
- All other assets including surplus assets - fair value, determined as the amount that would be paid for the asset in existing use (based on market value at highest and best use).

Where there is no market based evidence of current value because of the specialised nature of the asset, depreciated replacement cost is used

as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years and reviewed annually. Annual valuations of council dwellings are carried out by a specialist external valuer.

#### *Impairment:*

The values of each category of asset and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified this is accounted for by charging the loss to the relevant service revenue account where it is clearly attributable to the consumption of economic benefit. Otherwise it is written off against previous revaluation gains attributable to the asset in the Revaluation Reserve, with any excess charges to the relevant service revenue account.

#### *Disposals:*

When it becomes probable that the carrying amount of an asset will be recovered from sale rather than through continued use, it is immediately revalued and reclassified as an Asset Held for Sale. The asset is then carried at the lower of that value and current value less costs to sell.



## Note 1 Accounting Policies (continued)

### 11. Property Plant and Equipment (continued)

For assets that no longer meet the criteria of Assets Held For Sale they are reclassified back to non-current assets and valued back to their carrying value before being reclassified, adjusted for depreciation that would have been incurred.

When an asset is disposed of or de-commissioned, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal.

Receipts from disposals are credited to the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Amounts in excess of £10k are categorised as capital receipts.

A proportion of receipts relating to Housing Revenue Account (HRA) dwellings sold under the Right To Buy (RTB) rules from 1st April 2012 is payable into a government pool, with the balance of the receipts (after a deduction to compensate the HRA for a higher level of sales under the new rules) being available for general capital investment plus a prescribed requirement to provide new affordable housing. 50% of HRA receipts from non-RTB disposals are also required to be paid into the government pool, unless they are reinvested in new affordable housing or regeneration capital schemes, in which case the pooling requirement is waived.

Usable capital receipts are credited to the Usable Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement).

The written-off value of disposals is not charged against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

#### *Depreciation:*

Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods in which the benefits from their use are expected to arise.

Depreciation is calculated on the following bases:

- Council dwellings – dividing the buildings element of the valuation (i.e. current less an adjustment for social housing) by the residual life (25-75 years) of the property.
- Other buildings - straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles – on a straight-line basis over 5-7 years.
- Plant and Equipment – straight-line over the estimated life of the asset.
- Infrastructure – straight-line allocation over 40 years.

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

Depreciation is calculated on opening net book values and is based on the remaining useful life on the assets.

#### Schools:

Schools assets are included within the Council's Balance Sheet in line with the criteria for recognition of non-current assets set out in the Code of Practice. Consideration is given to the recognition of the assets on a school-by-school basis but in effect the assets of all schools run under the standard community schools model (including Voluntary Controlled schools) are recognised because the Council is both the legal owner of the assets and also the beneficiary of them in substance. Where the governance of the school differs from the community school model (for example Academies, Voluntary Aided and Foundation Trust schools), the Council considers whether it has effective control of the school's assets in respect of access to future economic benefits or service potential, and also its exposure to the risks of ownership. Where this is not the case, the assets are not recognised on the Council's Balance Sheet.

## Note 1 Accounting Policies (continued)

### 11. Property Plant and Equipment (continued)

Where schools become Academies, the Council retains legal title to the assets of the school but transfers the economic benefits and service potential of those assets to the Academy by way of a long lease. The Council therefore derecognises those assets from its Balance Sheet in line with the Code of Practice's provisions on leasing.

#### Heritage Assets

- Heritage assets are classified and measured on the following basis: Heritage Buildings – Current Value
- Museum/Gallery Exhibits (including Mayoral Regalia and Civic Silver) - Insurance Value (based on revaluation every three years)
- Statues and Monuments - Insurance Value

The carrying amounts in the Balance Sheet of all the assets (i.e. other than museum exhibits and assets held at nominal current value) are reviewed as part of the on-going revaluation programme undertaken by the Council. Where there is evidence of impairment, such as physical deterioration, that impairment will be recognised and measured in accordance with the Council's general policies on impairment; see paragraph 17 – Property, Plant and Equipment on impairment.

Asset purchases will be recognised at cost and acquisitions (for example donations) will be initially recognised at a nominal value until valuations can be ascertained by either the museum's curators with reference to the appropriate commercial markets, or by an external valuer.

The Council may dispose of heritage assets which have a doubtful provenance or are unsuitable for display. Proceeds of such items will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with the statutory requirements relating to capital expenditure and capital receipts; see Note 16 – Property, Plant and Equipment.

Heritage Assets are not depreciated.

### 12. Private Finance Initiatives

PFI, and similar contracts, are agreements to receive services which may include the requirement to provide assets by the supplier in the delivery of the service. As the Council is deemed to control the service, and ownership of the property will pass to the Council at the end of the contract with no extra charge, the Council carries the value of the asset on its Balance Sheet as part of Property, Plant and Equipment.

The initial recognition of the assets, at current value, is balanced by the recognition of the liability for amounts due to the scheme contractor to pay for the capital investment.

The amounts payable to the PFI contractor each year comprise:

- Value of the service received in the year – charged to relevant service in the CIES.
- Finance Cost – the interest charge on the outstanding Balance Sheet liability, charged to the Finance and Investment line in the CIES.
- Contingent Rent – lease payments that increase or decrease as a result of changes in factors occurring subsequent to the inception of the lease, other than the passage of time.
- Payment towards the liability – applied to the Balance Sheet Liability.
- Lifecycle Costs – additional expenditure on assets either added as prepayment for the asset or to the service lines where not material, when the relevant work is carried out.

### 13. Provisions, Contingent Liabilities and Assets

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

## Note 1 Accounting Policies (continued)

### 13. Provisions, Contingent Liabilities and Assets (continued)

Provisions are charged as an expense to the appropriate service in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date, taking into account relevant risks and uncertainties.

Contingent liabilities arise where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent assets arise where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Both contingent items are not recognised in the Balance Sheet but disclosed further in the notes to the accounts.

### 14. Reserves

The Council sets aside specific amounts as usable reserves for future policy provisions or to cover contingencies. Reserves are created by appropriating amounts of the General Fund Balance.

Certain unusable reserves are kept to manage the accounting process for non-current assets, financial instruments, local taxation, retirement

and employee benefits and do not represent usable resources for the Council. These reserves are explained in further detail in Note 27 to the accounts.

### 15. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the CIES, in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, it is transferred from the General Fund to the Capital Adjustment Account so there is no impact on the level of Council Tax.

### 16. Schools

Where the Council determines that the overall balance of control of schools lies within the Council those schools' assets, liabilities, reserves and cash flows are recognised in the Council financial statements. Therefore, schools' transactions, cash flows and balances are recognised in the Financial Statements of the Council as if they were the transactions, cash flows and balances of the Council. Academies and other schools such as voluntary aided schools, where control does not lie with the council, are excluded from the Council's financial statements.

### 17. VAT

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

### 18. Prior Period Adjustments, changes in accounting policies and estimates and errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## Note 2 Expenditure & Funding Analysis

2019/20	Net Expenditure Charged to the HRA & General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
City Development & Neighbourhoods	53,078	73,456	126,534
Housing Revenue Account (HRA)	(11,191)	15,161	3,970
Adult Social Care	91,440	5,634	97,074
Health Improvement & Wellbeing	(7,795)	997	(6,798)
Education & Children's Services	63,309	56,739	120,048
Corporate Resources & Support	23,840	4,118	27,958
Housing Benefits	(1,982)	-	(1,982)
Corporate Items	6,540	(18,884)	(12,344)
Capital Financing	(518)	-	(518)
<b>Cost of Services</b>	<b>216,721</b>	<b>137,221</b>	<b>353,942</b>
Other Operating Expenditure	(4,675)	59,526	54,851
Financing and Investment Income and Expenditure	27,734	7,362	35,096
Taxation and Non-Specific Grant Income	(264,526)	(45,066)	(309,592)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(24,746)</b>	<b>159,043</b>	<b>134,297</b>

Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(237,005)	(30,508)	(267,513)
Surplus or Deficit in the Year	(22,429)	(2,317)	(24,746)
<b>Closing Balance</b>	<b>(259,434)</b>	<b>(32,825)</b>	<b>(292,259)</b>

## Note 2 Expenditure & Funding Analysis (continued)

Restated 2018/19	Net Expenditure Charged to the HRA & General Fund Balance	Adjustments Between Accounting & Funding Basis *	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
City Development & Neighbourhoods	38,387	69,007	107,394
Housing Revenue Account (HRA)	(8,664)	13,339	4,675
Adult Social Care	84,806	3,909	88,715
Health Improvement & Wellbeing	(7,772)	2,070	(5,702)
Education & Children's Services	40,720	42,891	83,611
Corporate Resources & Support	27,986	2,966	30,952
Housing Benefits	(3,527)	-	(3,527)
Corporate Items	37,229	(31,319)	5,910
Capital Financing	(517)	-	(517)
<b>Cost of Services</b>	<b>208,648</b>	<b>102,863</b>	<b>311,511</b>
Other Operating Expenditure	1,494	57,681	59,175
Financing and Investment Income and Expenditure	20,028	33,136	53,164
Taxation and Non-Specific Grant Income	(261,976)	(84,856)	(346,832)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(31,806)</b>	<b>108,824</b>	<b>77,018</b>

Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(204,962)	(30,745)	(235,707)
Surplus or Deficit in the Year	(32,043)	237	(31,806)
<b>Closing Balance</b>	<b>(237,005)</b>	<b>(30,508)</b>	<b>(267,513)</b>

\* Includes a realignment of capital adjustments across headings.

## Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

**IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. We are not able to provide a reasonable estimate of the impact of IFRS 16 at this time.

**IAS 19 Employee Benefits** will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

## Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 of this Statement of Accounts, the Council has had to make certain judgements about complex transactions and/or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

### Accounts prepared on a going concern basis

These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an organisation, its functions and services will continue in operational existence for the foreseeable future. However, there is a high degree of uncertainty about future levels of funding for local government and the future national economic outlook. The Council's management has used its judgement and determined that its financial strategy is robust and that this uncertainty is not yet sufficient to affect the assumptions underpinning the strategy and that the Council will continue as a going concern.

### Recognition of School Assets

Since 2014-15 the Council has adopted a policy of recognising only community school land and buildings as non-current assets in the balance sheet. Voluntary aided and foundation school assets are not recognised as Council assets as ownership and/or control of them lie with the bodies that manage them. Assets of community schools

that transfer to academies are written out of the balance sheet in the year in which transfer of school management takes place.

### Property, Plant and Equipment

The Property, Plant and Equipment figure disclosed on the Balance Sheet includes 2 maintained schools that the council has substantial control over, but does not legally own. If these schools were omitted it would reduce the long term assets figure by £8.5m.



## Note 5 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant &amp; Equipment</b> Material valuation uncertainty due to Coronavirus (COVID – 19)	<p>The outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets.</p> <p>Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which the valuers can base judgement.</p> <p>Our valuations are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to our valuations than would normally be the case.</p>	It is not possible to quantify the potential effect of this uncertainty on the valuations included in the accounts.



**Note 5** Assumptions made about the future and other major sources of estimation uncertainty continued

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b> -Material valuation uncertainty due to Coronavirus (COVID – 19)	<p>The Pension Fund uses valuation techniques to determine the carrying amount of pooled property funds and directly held freehold property of which the Council has a share. Where possible these valuation techniques are based on observable data but where this is not possible managements uses the best available data. The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to the previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations on the Pension Fund property are reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently less certainty and a higher degree of caution should be attached to the valuation. The Councils pension fund property assets total £93m as shown at Note 43</p>	<p>It is not possible to quantify the potential effect of this uncertainty on the valuations included in the accounts.</p>

**Note 5** Assumptions made about the future and other major sources of estimation uncertainty continued

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £2m for every year that useful lives had to be reduced.</p>
Fair Value Measurements	Most financial and property assets are now held at Fair Value (see Accounting Policies & Notes 16 & 19 for more information). When there is no quoted market value for an asset, the Council applies other valuation methods in accordance with the Code of Practice and the underlying IFRS 13 standard, but these may incorporate elements of judgement around risks and the basis of assumptions.	<p>It is not possible to quantify the level of variance that may arise if assumptions used differ from actual asset values. The Council is confident, however, that the risk of any differences impacting on the level of usable reserves or the overall financial strategy is low.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Local Government Pension Scheme, administered by Leicestershire County Council with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. The actuaries have advised that a 0.5% decrease in the Real Discount Rate would mean a 10% increase to the employers liability amounting to approximately £181m. A 0.5% increase in the Pension Increase Rate would mean an 9% increase to the employers' liability amounting to £162m. A 0.5% increase in the projected rate of salary increased would lead to an increased liability of 1% or £18m.</p>

**Note 5** Assumptions made about the future and other major sources of estimation uncertainty continued

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
PFI Schemes	Total payments due under the existing PFI schemes have to be split between payments for services, reimbursement of capital expenditure, interest, lifecycle costs etc. The split is arrived at by using financial models that contain inherent uncertainties and assumptions.	It is not possible to quantify the potential effect of these uncertainties on the PFI liabilities included in the accounts.
Business Rates Appeals	The Council has applied judgement in calculating the provision for business rate appeals based on data from the Valuation Office Agency (VOA) regarding outstanding appeals where estimates of the likelihood of success, the amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data and any other known information. Different averages have been calculated for the different types of appeal and property types. As at 31st March 2020, 495 known appeals were outstanding relating to 314 properties.	The provision made by the Council stands at £11.6m at 31st March 2020. This calculation is based on a range of sources including professional advice. If the volume and outcome of appeals differs significantly from the assumptions made then this will impact on whether the level of provision is adequate. It is the Council's judgement that the impact of any error would not have a material impact on these financial statements.

## Note 6 Prior Period Adjustment

The Council has been required to make a prior period adjustment in relation to Property, Plant and Equipment. The adjustment removes two schools that have converted to academies in prior financial years. This has no effect on the Councils financial position and is just an accounting adjustment.

The effect on the main statements are shown in this note.

Other notes amended to reflect restated 2018/19 figures include notes 9,10,12,15,16,27 & 28.

The fully restated balance sheet is shown on page 22. The adjustments made are shown in the following tables;

### Effect on line items in the Balance Sheet 31st March 2018

	31st March 2018	31st March 2018	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
Property, Plant & Equipment	2,258,983	2,256,304	(2,679)
<b>Long Term Assets</b>	<b>2,415,231</b>	<b>2,412,552</b>	<b>(2,679)</b>
<b>Current Assets</b>	<b>294,991</b>	<b>294,991</b>	<b>-</b>
<b>Current Liabilities</b>	<b>(166,312)</b>	<b>(166,312)</b>	<b>-</b>
<b>Long Term Liabilities</b>	<b>(1,022,339)</b>	<b>(1,022,339)</b>	<b>-</b>
<b>Net Assets</b>	<b>1,521,571</b>	<b>1,518,892</b>	<b>(2,679)</b>
<u>Represented by:</u>			
Usable Reserves	342,708	342,708	-
Unusable Reserves	1,178,863	1,176,184	(2,679)
<b>Total Reserves</b>	<b>1,521,571</b>	<b>1,518,892</b>	<b>(2,679)</b>

## Note 6 Prior Period Adjustment (continued)

### Effect on line items in the Balance Sheet 31st March 2019

	31st March 2019	31st March 2019	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
Property, Plant & Equipment	2,465,963	2,438,937	(27,026)
<b>Long Term Assets</b>	<b>2,582,531</b>	<b>2,555,505</b>	<b>(27,026)</b>
<b>Current Assets</b>	<b>297,998</b>	<b>297,998</b>	<b>-</b>
<b>Current Liabilities</b>	<b>(145,159)</b>	<b>(145,159)</b>	<b>-</b>
<b>Long Term Liabilities</b>	<b>(1,116,140)</b>	<b>(1,116,140)</b>	<b>-</b>
<b>Net Assets</b>	<b>1,619,230</b>	<b>1,592,204</b>	<b>(27,026)</b>
<u>Represented by:</u>			
Usable Reserves	443,001	443,001	-
Unusable Reserves	1,176,229	1,149,203	(27,026)
<b>Total Reserves</b>	<b>1,619,230</b>	<b>1,592,204</b>	<b>(27,026)</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Comprehensive Income Expenditure Statement is shown on page 18, the adjustments made in 2018/19 are shown in the table below;

### Effect on Comprehensive Income and Expenditure Statement 2018/19

	2018/19	2018/19	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
<b>Cost of Services</b>	<b>311,511</b>	<b>311,511</b>	<b>-</b>
Other Operating Expenditure	34,828	59,175	24,347
Financing and Investment Income and Expenditure	53,164	53,164	-
Surplus or Deficit of Discontinued Operations	-	-	-
Taxation and Non-Specific Grant Income	(346,832)	(346,832)	-
<b>(Surplus) or Deficit on Provision of Services</b>	<b>52,671</b>	<b>77,018</b>	<b>24,347</b>
Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets	(280,040)	(280,040)	-
Remeasurement of the Net Defined Benefit Liability	129,710	129,710	-
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(97,659)</b>	<b>(73,312)</b>	<b>24,347</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Movement Reserves Statement is shown on page 20. The prior period adjustment only effected the Usable Reserve balances in 2018/19 and are shown in the table below;

### Movement in Reserves Statement - Usable Reserves 2018/19

	2018/19	2018/19	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
<b>Balance at the end of the previous reporting period 31st March 2018</b>	<b>342,708</b>	<b>342,708</b>	<b>-</b>
<b>Surplus or (Deficit) on the Provision of Services</b>	<b>52,671</b>	<b>77,018</b>	<b>24,347</b>
Adjustments between accounting basis and funding basis under regulations	(152,964)	(177,311)	(24,347)
<b>Increase or (Decrease) in the year</b>	<b>(100,293)</b>	<b>(100,293)</b>	<b>-</b>
<b>Balance at the end of the current reporting period 31st March 2019</b>	<b>242,415</b>	<b>242,415</b>	<b>-</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Cashflow is shown on page 24. The prior period had no effect on the bottom line cash position in 2018/19 as shown in the table below;

### Effect on the Cashflow Statement 2018/19

	31st March 2019	31st March 2019	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
Net (surplus) or deficit on the provision of services	52,671	77,018	24,347
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(189,153)	(213,500)	(24,347)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	144,206	144,206	-
<b>Net cash flows from Operating Activities</b>	<b>7,724</b>	<b>7,724</b>	<b>-</b>
Net cash flows from Investing Activities	(69,024)	(69,024)	-
Net cash flows from Financing Activities	63,695	63,695	-
<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>2,395</b>	<b>2,395</b>	<b>-</b>
Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period	44,068	44,068	
<b>Cash in hand /(overdraft) and cash equivalents at the end of the reporting period</b>	<b>41,673</b>	<b>41,673</b>	<b>-</b>



## Note 7 Material Items of Income and Expense

There are no material items of income and expenditure.

## Note 8 Events After the Balance Sheet Date

In March 2020, it was announced that coronavirus was a global pandemic. This led to the Government announcing a national lockdown on 23rd March 2020. As a result, the Council's staffing and service delivery arrangements changed. Core services continued to be delivered primarily with staff working from home. Some functions closed completely such as events venues, leisure centres and libraries. In addition some services focused on delivering different services such as the Food Hub which provided food to those who were shielding, and the allocation of government grant money to local businesses to support them through this period. Leicester was further impacted with the extension of the lockdown in the area, not seen by other Authorities.

The pandemic has put pressures on the Council and has changed its financial position, generating less income and seeing higher than usual costs. However, it is recognised that the Government has announced a number of financial support packages to meet some of these financial pressures. The Council is monitoring this area very carefully and is anticipating that it can fund any budget deficit in 2020/21. However, we are now in a second national lockdown which will exacerbate the pressures the Council is already under. In addition, we are anticipating that the effects will extend into 2021/22.

## Note 9 Note to the Expenditure and Funding Analysis

The following tables provide reconciliations between the main adjustments to Net Expenditure Chargeable to the General Fund and Housing Revenue Account balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. For the General Fund this also includes Earmarked Reserves.

2019/20	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the HRA & General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	£000
City Development & Neighbourhoods	126,534	(65,745)	(7,634)	(77)	(73,456)	53,078
Housing Revenue Account (HRA)	3,970	(11,986)	(3,272)	97	(15,161)	(11,191)
Adult Social Care	97,074	(2,462)	(3,232)	60	(5,634)	91,440
Health Improvement & Wellbeing	(6,798)	(136)	(873)	12	(997)	(7,795)
Education & Children's Services	120,048	(44,590)	(11,156)	(993)	(56,739)	63,309
Corporate Resources & Support	27,958	(69)	(4,071)	22	(4,118)	23,840
Housing Benefits	(1,982)	-	-	-	-	(1,982)
Corporate Items	(12,344)	12,392	6,490	2	18,884	6,540
Capital Financing	(518)	-	-	-	-	(518)
<b>Cost of Services</b>	<b>353,942</b>	<b>(112,596)</b>	<b>(23,748)</b>	<b>(877)</b>	<b>(137,221)</b>	<b>216,721</b>
Other Operating Expenditure	54,851	(59,526)	-	-	(59,526)	(4,675)
Financing and Investment Income and Expenditure	35,096	11,770	(19,753)	621	(7,362)	27,734
Taxation and Non-Specific Grant Income	(309,592)	40,685	-	4,381	45,066	(264,526)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>134,297</b>	<b>(119,667)</b>	<b>(43,501)</b>	<b>4,125</b>	<b>(159,043)</b>	<b>(24,746)</b>

## Note 9 Note to the Expenditure and Funding Analysis (continued)

Restated 2018/19	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the HRA & General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes *	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	£000
City Development & Neighbourhoods	107,394	(63,802)	(5,176)	(29)	(69,007)	38,387
Housing Revenue Account (HRA)	4,675	(10,935)	(2,377)	(27)	(13,339)	(8,664)
Adult Social Care	88,715	(1,708)	(2,178)	(23)	(3,909)	84,806
Health Improvement & Wellbeing	(5,702)	(1,507)	(560)	(3)	(2,070)	(7,772)
Education & Children's Services	83,611	(34,279)	(7,843)	(769)	(42,891)	40,720
Corporate Resources & Support	30,952	(88)	(2,853)	(25)	(2,966)	27,986
Housing Benefits	(3,527)	-	-	-	-	(3,527)
Corporate Items	5,910	40,744	(9,425)	-	31,319	37,229
Capital Financing	(517)					(517)
<b>Cost of Services</b>	<b>311,511</b>	<b>(71,575)</b>	<b>(30,412)</b>	<b>(876)</b>	<b>(102,863)</b>	<b>208,648</b>
Other Operating Expenditure	59,175	(57,681)	-	-	(57,681)	1,494
Financing and Investment Income and Expenditure	53,164	5,246	(17,473)	(20,909)	(33,136)	20,028
Taxation and Non-Specific Grant Income	(346,832)	85,417	-	(561)	84,856	(261,976)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>77,018</b>	<b>(38,593)</b>	<b>(47,885)</b>	<b>(22,346)</b>	<b>(108,824)</b>	<b>(31,806)</b>

\* Includes a realignment of capital adjustments across headings.

## Note 9 Note to the Expenditure and Funding Analysis (continued)

### Adjustments for Capital Purposes

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

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

### Net Change for Pensions Adjustments

This column is for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charges to the CIES.

### Other Adjustments

These columns reflect other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable receivable to be recognised under statute.

- For Financing and Investment Income and Expenditure figures reflect the adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure figures reflect the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected

to be received at the start of the year and the income.

- The reversal of officers remuneration chargeable on an accruals basis is different to that chargeable under statutory requirements

# Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment	2019/20					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, capital expenditure not adding value and amortisation of non-current assets	(85,019)	(26,177)	-	-	-	111,196
Revaluation losses on Property Plant and Equipment	(15,311)	(375)	-	-	-	15,686
Capital grants and contributions applied	51,722	22	-	-	-	(51,744)
Capital expenditure funded from revenue	4,712	-	-	-	-	(4,712)
Revenue expenditure funded from capital under statute	(13,071)	-	-	-	-	13,071
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	(63,865)	(21,203)	-	-	-	85,068
Income recognised in respect of donated assets	80	-	-	-	-	(80)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	11,416	355	-	-	-	(11,771)
Voluntary provision for the financing of capital expenditure	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	-	2,881	-	-	-	(2,881)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,216	18,405	(27,621)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	20,806	-	-	(20,806)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(532)	782	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,703)	-	1,703	-	-	-

## Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2019/20					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(288)	-	-	288
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	406	-	-	-	-	(406)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	11,662	-	(11,662)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	11,662	-	(11,662)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	44,545	-	-	-	(44,545)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(47,582)	-	-	-	47,582	-
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	261	360	-	-	-	(621)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(79,987)	(10,729)	-	-	-	90,716
Employer's pensions contributions and direct payments to pensioners payable in the year	41,728	5,487	-	-	-	(47,215)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	4,381	-	-	-	-	(4,381)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(975)	97	-	-	-	878
<b>Total Adjustments</b>	<b>(139,296)</b>	<b>(19,747)</b>	<b>(4,618)</b>	<b>-</b>	<b>3,037</b>	<b>(160,624)</b>

## Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment	Restated 2018/19					Movemt in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, capital expenditure not adding value and amortisation of non-current assets	(71,033)	(31,195)	-	-	-	102,228
Revaluation losses on Property Plant and Equipment	2,115	(34)	-	-	-	(2,081)
Capital grants and contributions applied	69,767	17	-	-	-	(69,784)
Capital expenditure funded from revenue	10,311	-	-	-	-	(10,311)
Revenue expenditure funded from capital under statute	(33,955)	-	-	-	-	33,955
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	(61,553)	(20,788)	-	-	-	82,341
Income recognised in respect of donated assets	168	-	-	-	-	(168)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	10,355	326	-	-	-	(10,681)
Voluntary provision for the financing of capital expenditure	(5,434)	-	-	-	-	5,434
Capital expenditure charged against the General Fund and HRA balances	-	9,156	-	-	-	(9,156)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,092	18,946	(27,038)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,518	-	-	(3,518)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	-	250	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,189)	-	2,189	-	-	-

## Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	Restated 2018/19					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movemt in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(197)	-	-	-	-	197
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	255	-	-	-	-	(255)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	11,121	-	(11,121)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	11,121	-	(11,121)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	115,706	-	-	-	(115,706)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(68,300)	-	-	-	68,300	-
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(9,443)	(11,466)	-	-	-	20,909
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(81,332)	(10,019)	-	-	-	91,351
Employer's pensions contributions and direct payments to pensioners payable in the year	37,558	5,908	-	-	-	(43,466)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(561)	-	-	-	-	561
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(849)	(27)	-	-	-	876
<b>Total Adjustments</b>	<b>(80,769)</b>	<b>(28,055)</b>	<b>(21,081)</b>	<b>-</b>	<b>(47,406)</b>	<b>177,311</b>



## Note 11 - Movement in Earmarked Reserves

Earmarked reserves are amounts set side to provide financing for future expenditure plans. The table below provides a list of reserves held by the Council. Additional information on the earmarked reserves can be found in the Council's outturn report.

The breakdown of earmarked reserves has been restated to reflect the headings reported to management.

2019/20	Balance at 31st March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31st March 2020
	£000	£000	£000	£000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	8,210	4,659	(7,292)	5,577
School Balances	17,227	5,292	(7,564)	14,955
School Capital Fund	2,958	21	(229)	2,750
Education & Skills Funding Agency Learning Programme	1,353	139	(629)	863
Arts Council National Portfolio Organisation Funding	666	156	-	822
Schools Buy Back	2,656	189	(359)	2,486
Secondary PRU - Year End Balance	86	-	(86)	-
Primary PRU - Year End Balance	83	-	(83)	-
<b>Total Ring-fenced Reserves</b>	<b>33,239</b>	<b>10,456</b>	<b>(16,242)</b>	<b>27,453</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	50,328	39,348	(32,085)	57,591
Managed Reserves Strategy	33,583	37,642	(23,334)	47,891
Demographic Pressures	22,372	-	(3,455)	18,917
Covid 19 Grants	-	10,849	-	10,849
BSF Financing	12,167	511	(5,185)	7,493
Insurance Fund	11,590	2,362	(5,433)	8,519
Severance Fund	6,328	-	(1,507)	4,821
Service Transformation Fund	4,912	-	(1,182)	3,730
Welfare Reserve	3,383	6,738	(4,616)	5,505
Other Corporate Reserves	4,345	669	(410)	4,604
<b>Total Corporate Reserves</b>	<b>149,008</b>	<b>98,119</b>	<b>(77,207)</b>	<b>169,920</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	3,708	2,098	(1,736)	4,070
ICT Development Fund	3,495	3,000	(230)	6,265
Delivery, Communications & Political Governance	5,654	26	(1,130)	4,550
Housing	1,580	957	(419)	2,118
City Development (Excl Housing)	3,616	3,601	(1,909)	5,308
Children's Services Pressures	15,298	2,446	(8,924)	8,820
Social Care Reserve	-	8,322	-	8,322
Health & Wellbeing Division	3,463	1,712	(1,087)	4,088
NHS Joint Working Projects	1,769	714	-	2,483
Other Departmental Reserves	1,175	-	(138)	1,037
<b>Total Other Reserves</b>	<b>39,758</b>	<b>22,876</b>	<b>(15,573)</b>	<b>47,061</b>
<b>Total Earmarked Reserves</b>	<b>222,005</b>	<b>131,451</b>	<b>(109,022)</b>	<b>244,434</b>

**Note 11 - Movement in Earmarked Reserves  
(continued)**

2018/19	Balance at 31st March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31st March 2019
	£000	£000	£000	£000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	12,710	2,397	(6,897)	8,210
School Balances	16,719	22,199	(21,691)	17,227
School Capital Fund	2,383	575	-	2,958
NHS Joint Working Projects	1,769	4,494	(4,494)	1,769
Public Health Transformation	1,668	-	-	1,668
Education & Skills Funding Agency Learning Programmes	-	1,353	-	1,353
Arts Council National Portfolio Organisation Funding	-	666	-	666
Schools Buy Back	1,073	3,166	(1,583)	2,656
Secondary PRU - Year End Balance	91	-	(5)	86
Primary PRU - Year End Balance	14	69	-	83
<b>Total Ring-fenced Reserves</b>	<b>36,427</b>	<b>34,919</b>	<b>(34,670)</b>	<b>36,676</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	41,395	22,793	(13,860)	50,328
Managed Reserves Strategy	25,252	18,628	(10,297)	33,583
Demographic Pressures Reserve (19/20-20/21)	9,745	13,502	(875)	22,372
BSF Financing	11,533	1,737	(1,103)	12,167
Severance Fund	7,265	930	(1,867)	6,328
Service Transformation Fund	6,087	-	(1,175)	4,912
Insurance Fund	9,099	4,542	(2,051)	11,590
Welfare Reserve	3,791	500	(908)	3,383
Other Corporate Reserves	4,042	745	(442)	4,345
<b>Total Corporate Reserves</b>	<b>118,209</b>	<b>63,377</b>	<b>(32,578)</b>	<b>149,008</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	3,940	518	(750)	3,708
ICT Development Fund	3,887	167	(559)	3,495
Delivery, Communications & Political Governance	5,211	593	(150)	5,654
Housing	1,410	738	(568)	1,580
City Development (Excl Housing)	3,369	2,419	(2,172)	3,616
Children's Services Pressures	14,560	1,425	(687)	15,298
Health & Wellbeing Division	1,692	1,063	(960)	1,795
Other Departmental Reserves	1,257	39	(121)	1,175
<b>Total Other Reserves</b>	<b>35,326</b>	<b>6,962</b>	<b>(5,967)</b>	<b>36,321</b>
<b>Total Earmarked Reserves</b>	<b>189,962</b>	<b>105,258</b>	<b>(73,215)</b>	<b>222,005</b>

## Note 12 Other Operating Expenditure

	Restated 2018/19	2019/20
	£000	£000
Payments to the government Housing Capital Receipts Pool	2,189	1,703
Total (gains)/losses on the disposal of non-current assets	55,514	57,824
Other operating income and expenditure	1,472	(4,676)
<b>Total</b>	<b>59,175</b>	<b>54,851</b>

## Note 13 Financing and Investment Income & Expenditure

	2018/19	2019/20
	£000	£000
Interest payable and similar charges	37,954	18,550
Pensions interest cost and expected return on pensions assets	17,473	19,753
Interest receivable and similar income	(2,263)	(3,207)
<b>Total</b>	<b>53,164</b>	<b>35,096</b>

## Note 14 Taxation and Non-Specific Grant Income & Expenditure

	2018/19	2019/20
	£000	£000
Council Tax income	(109,628)	(115,041)
Non-domestic rates	(96,506)	(129,250)
Non-ringfenced government grants	(55,112)	(24,536)
Capital grants and contributions	(85,418)	(40,685)
Donated Assets	(168)	(80)
<b>Total</b>	<b>(346,832)</b>	<b>(309,592)</b>

## Note 15 Expenditure and Income Analysed by Nature

The Council's expenditure and income reported in the Comprehensive Income & Expenditure Statement is analysed by nature in the table below.

	Restated 2018/19	2019/20
	£000	£000
<b>Expenditure</b>		
Employee Benefit Expenses	421,304	411,011
Other Services expenses	489,311	516,109
Depreciation, amortisation, impairment	102,228	111,194
Interest Payments	55,427	38,303
Precepts & Levies	82	85
Payments to Housing Capital Receipts pool	2,189	1,703
Loss on the Disposal of Assets	55,514	57,824
<b>Total Expenditure</b>	<b>1,126,055</b>	<b>1,136,229</b>
<b>Income</b>		
Fees , charges and other service income	(171,857)	(188,193)
Interest & Investment Income	(2,263)	(3,207)
Income from Council Tax, non domestic rates	(206,134)	(244,291)
Government grants & contributions	(668,783)	(566,241)
<b>Total Income</b>	<b>(1,049,037)</b>	<b>(1,001,932)</b>
<b>Surplus or Deficit on Provision of Services</b>	<b>77,018</b>	<b>134,297</b>

## Note 16 Property, Plant and Equipment - Movement on Balances in 2019/20

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2019/20. The following tables provide additional detail on the basis for valuations of these assets and future capital expenditure already committed.

Movements on Balances in 2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2019	950,471	1,171,025	91,682	275,602	4,047	75,833	2,853	<b>2,571,513</b>	137,717
Additions	42,675	23,754	4,267	26,311	96	4,253	167	<b>101,523</b>	4,460
Revaluation									
Increases/(Decreases) recognised in the Revaluation Reserve	43,621	(13,339)	8,086	15	247	(656)	-	<b>37,974</b>	(2,082)
Revaluation									
Increases/(Decreases) not recognised in the Revaluation Reserve	(14,047)	(40,080)	(3,436)	(16,883)	(88)	(4,444)	-	<b>(78,978)</b>	(2,197)
De-recognition – disposals	(21,204)	(60,730)	-	-	-	(1,599)	-	<b>(83,533)</b>	-
Assets reclassified (to)/from Held for Sale	-	(1,075)	-	-	-	246	-	<b>(829)</b>	-
Asset reclassified (other)	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2020</b>	<b>1,001,516</b>	<b>1,079,555</b>	<b>100,599</b>	<b>285,045</b>	<b>4,302</b>	<b>73,633</b>	<b>3,020</b>	<b>2,547,670</b>	<b>137,898</b>

## Note 16 Property, Plant and Equipment - Movement on Balances in 2019/20 (continued)

Movements on Balances in 2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
<b>Accumulated Depreciation &amp;</b>									
At 1st April 2019	-	(9,181)	(54,301)	(69,066)	-	(28)	-	<b>(132,576)</b>	(13,670)
Depreciation Charge	(10,355)	(26,654)	(6,796)	(6,874)	(13)	(37)		<b>(50,729)</b>	(4,773)
Depreciation written out to the Revaluation Reserve	10,355	24,582	3,445	-	13	12		<b>38,407</b>	2,564
Depreciation written out to the Surplus/Deficit on the provision of services	-	3,348	3,062	(51)	-	27		<b>6,386</b>	-
De-recognition – disposals	-	1,237	-	-	-	-		<b>1,237</b>	-
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	-		<b>-</b>	-
<b>As at 31st March 2020</b>	<b>-</b>	<b>(6,668)</b>	<b>(54,590)</b>	<b>(75,991)</b>	<b>-</b>	<b>(26)</b>	<b>-</b>	<b>(137,275)</b>	<b>(15,879)</b>
<b>Net Book Value as at 31st March 2020</b>	<b>1,001,516</b>	<b>1,072,887</b>	<b>46,009</b>	<b>209,054</b>	<b>4,302</b>	<b>73,607</b>	<b>3,020</b>	<b>2,410,395</b>	<b>122,019</b>
As at 1st April 2019	950,471	1,161,844	37,381	206,536	4,047	75,805	2,853	<b>2,438,937</b>	124,047



## Note 16 Property, Plant and Equipment - Movement on Balances in 2018/19

Restated 2018/19 Comparative Movements	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2018	910,318	1,041,291	88,509	274,109	3,764	78,401	1,638	<b>2,398,030</b>	124,136
Additions	21,347	11,175	1,961	20,078	1,180	4,952	1,215	<b>61,908</b>	415
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	59,089	194,781	1,518	139	524	(3,775)	-	<b>252,276</b>	32,091
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(19,495)	(13,060)	(306)	(18,724)	(1,231)	(3,596)	-	<b>(56,412)</b>	(415)
De-recognition – disposals	(20,788)	(62,458)	-	-	(190)	(644)	-	<b>(84,080)</b>	(18,510)
Assets reclassified (to)/from Held for Sale			-	-	-			-	
Asset reclassified (other)		(704)				495	-	<b>(209)</b>	
<b>As at 31st March 2019</b>	<b>950,471</b>	<b>1,171,025</b>	<b>91,682</b>	<b>275,602</b>	<b>4,047</b>	<b>75,833</b>	<b>2,853</b>	<b>2,571,513</b>	<b>137,717</b>

## Note 16 Property, Plant and Equipment - Movement on Balances in 2018/19 (continued)

Restated 2018/19 Comparative Movements	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1st April 2018	-	(26,462)	(52,899)	(62,335)	(7)	(23)	-	<b>(141,726)</b>	(13,941)
Depreciation Charge	(9,911)	(21,296)	(6,180)	(6,839)		(8)	-	<b>(44,234)</b>	(3,896)
Depreciation written out to the Revaluation Reserve	9,911	32,936	4,769	51	7	5	-	<b>47,679</b>	3,360
Depreciation written out to the Surplus/Deficit on the provision of services	-	3,312	9	57	-	-	-	<b>3,378</b>	
De-recognition – disposals	-	2,329	-		-	(2)	-	<b>2,327</b>	807
Assets reclassified to/(from) Held for Sale	-		-	-	-	-	-	-	-
<b>As at 31st March 2019</b>	-	<b>(9,181)</b>	<b>(54,301)</b>	<b>(69,066)</b>	-	<b>(28)</b>	-	<b>(132,576)</b>	<b>(13,670)</b>
<b>Net Book Value as at 31st March 2019</b>	<b>950,471</b>	<b>1,161,844</b>	<b>37,381</b>	<b>206,536</b>	<b>4,047</b>	<b>75,805</b>	<b>2,853</b>	<b>2,438,937</b>	<b>124,047</b>
As at 1st April 2018	910,318	1,014,829	35,610	211,774	3,757	78,378	1,638	<b>2,256,304</b>	110,195

## Note 16 Property, Plant and Equipment - Capital Commitments

At 31<sup>st</sup> March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21. Similar commitments at 31<sup>st</sup> March 2019 were £7.8m. The significant commitments are:

Contract for Capital Investment	Period	£000
Pioneer Park Workspace	2020-21	4,685
New Build Council Housing	2020-21	3,471
Haymarket Travel Lodge	2020-21	2,950
Knighton Fields Centre School	2020-21	2,568
Leisure Centre Improvement Programme	2020-21	2,160
Leicester North West Major Transport Project	2020-21	1,544
Fleet Replacement	2020-21	1,056
Leicester Market Redevelopment	2020-21	445
Barnes Heath House	2020-21	313
Netherhall	2020-21	291
<b>Total</b>		<b>19,483</b>

## Note 16 Property, Plant and Equipment - Revaluations

2019/20 Valuation Dates	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	192	71,683	283,678	40	275	3,021	358,889
Valued at fair or nominal value as at:								
Pre 1st April 2012	-	38	-	-	-	-	-	38
1st April 2012	-	-	-	-	-	-	-	-
1st April 2013	-	448	-	-	-	-	-	448
1st April 2014	-	597	-	686	19	-	-	1,302
1st April 2015	-	21,737	-	-	-	-	-	21,737
1st April 2016	-	-	-	-	-	14	-	14
1st April 2017	-	-	-	-	1	-	-	1
Valued @ 31st March 2019	-	4,545	-	-	673	267	-	5,485
Valued @ 31st March 2020	1,001,516	1,051,998	28,916	681	3,569	73,077	(1)	2,159,756
<b>Total</b>	<b>1,001,516</b>	<b>1,079,555</b>	<b>100,599</b>	<b>285,045</b>	<b>4,302</b>	<b>73,633</b>	<b>3,020</b>	<b>2,547,670</b>

The Council carries out a rolling programme of valuations that ensures that all property and land (subject to a de minimis of £10k for asset values) required to be measured at current value is revalued at least every five years. The few exceptions to this rule appear in the table above. All property and land assets that are valued at Market Value are subject to annual review.

Properties are now valued as at the 31<sup>st</sup> March of the financial year using forecast indices, if appropriate, to ensure that the valuation is still correct at the financial year end.

Annual valuations of council dwellings are carried out by a specialist external valuer and are based on guidance issued by the Ministry of Housing, Communities and Local Government. All other valuations are carried out internally by an accredited valuer and chartered member of the Royal Institution of Chartered Surveyors (RICS), in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

Valuations of the majority of vehicles, plant,

equipment and furniture, and of infrastructure, are based on historical cost.

## Note 17 Heritage Assets

The Council holds a number of Heritage Assets, defined as assets having historical, artistic, scientific, technological, geophysical or environmental qualities, and that are held and maintained principally for their contribution to knowledge and culture.

The following tables show the movement in the value of Heritage assets during 2019/20 and the previous year.

### *Heritage Buildings*

These include the Magazine, Abbey House and the Great Hall at Leicester Castle. The land and buildings relating to these assets are included within the revaluation cycle employed by the Council. However, none of these assets are charged depreciation as per the Council's stated accounting policy on Heritage Assets (see Note 1). Some buildings that are part of Leicester's heritage are included within Property, Plant & Equipment (Note 16).

### *Museum Exhibits*

Leicester City Council operates five complementary museums in the City. The museum sites are accredited museums, meaning they meet standards approved by the Arts Council on behalf of the Department for Culture, Media and Sport for collections care, visitor experience and organisational health.

There are currently around two million museum

and gallery exhibits which are managed in accordance with the policies and procedures approved by the Council in line with nationally and internationally agreed standards.

Museum exhibits are included in the Balance Sheet at insurance value rather than current or fair value, reflecting the fact that sales and exchanges are uncommon. However, during the year the basis of the insurance value was changed to exclude costs associated with auction purchases. Additions to the exhibits collection are initially included at historical cost and are then included as part of the annual insurance revaluation.

Some of the City Council's museum exhibits collection are displayed at the King Richard III Visitor Centre.

### *Statues and Monuments*

The Council has responsibility for a number of statues and monuments across the City. A number of the more significant assets are included at insurance values. The remainder are included at a nominal value as per our stated accounting policy on Heritage Assets.

## Note 17 Heritage Assets (continued)

### Reconciliation of the Carrying Value of Heritage Assets Held by the Council

Movement on Balances 2019/20	Buildings	Museum Exhibits	Statues & Monument	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2019	2,883	83,468	5,876	92,227
Additions	-	83	-	83
Disposals	-	-	-	-
Revaluations	(389)	(1,430)	-	(1,819)
<b>As at 31st March 2020</b>	<b>2,494</b>	<b>82,121</b>	<b>5,876</b>	<b>90,491</b>

2018/19 Comparative Movements	Buildings	Museum Exhibits	Statues & Monument	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2018	2,560	102,973	5,876	111,409
Additions	-	733	-	733
Disposals	-	-	-	-
Revaluations	323	(20,238)	-	(19,915)
<b>As at 31st March 2019</b>	<b>2,883</b>	<b>83,468</b>	<b>5,876</b>	<b>92,227</b>

## Note 18 Intangible Assets

The Council accounts for its computer software 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. The intangible assets include both purchased licenses and application software.

At present all of the Council's intangible assets are amortised over 5 years on a straight-line basis. None of the Council's intangible assets have been internally generated.

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>		
Gross Carrying Amounts	4,531	3,438
Accumulated Amortisation	(1,157)	(1,838)
<b>Net carrying amount at 1st April</b>	<b>3,374</b>	<b>1,600</b>
Additions (Purchases)	1,060	731
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(2,153)	(731)
Write-out of impairment amortisation	-	-
Reclassified from other asset classifications	-	-
Amortisation applied in Year	(681)	(660)
Gross Carrying Amount at 31st March	3,438	3,438
Accumulated Amortisation	(1,838)	(2,498)
<b>Net Carrying Amount at 31st March</b>	<b>1,600</b>	<b>940</b>

## Note 19a Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Category	Amount	Amount	Comment / Reference
	31st March 2019	31st March 2020	
	£000	£000	
Long Term Investments			
Amount in Balance Sheet	15,000	85,000	
Amounts covered in Note 19:	15,000	85,000	This note - section B Table 2
Short Term Investments			
Amount in Balance Sheet	200,021	153,712	
Amounts covered in Note 19:	200,021	153,712	This note - section B Table 2
Short Term Borrowing			
Amount in Balance Sheet	11,091	34,046	
Amounts covered in Note 19:	11,091	34,046	This note - section B Table 1
Long Term Borrowing			
Amount in Balance Sheet	180,119	180,115	
Amounts covered in Note 19:	180,119	180,115	This note - section B Table 1
Other Long Term Liabilities			
Amount in Balance Sheet	915,673	703,168	
Amounts covered in Note 19:	103,885	102,518	This note - section B Table 1
Amounts not covered in Note 19:			
Liability related to defined benefit pension schemes	811,626	600,488	Note 43 - Defined Benefit Pensions
Amounts related to Bonds	162	162	Not separately disclosed



## Note 19b Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

**Table 1**

Financial Liabilities	Long Term		Short Term	
	31st March 2019	31st March 2020	31st March 2019	31st March 2020
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	179,491	179,491	9,605	32,529
- Accrued interest	-	-	1,486	1,517
- EIR adjustments	628	624	-	-
<b>Total Borrowing</b>	<b>180,119</b>	<b>180,115</b>	<b>11,091</b>	<b>34,046</b>
Liabilities at amortised cost:				
- Finance leases	6,659	8,816	-	224
- PFI arrangements	73,316	70,794	4,151	4,685
- Transferred debt liability	23,394	22,419	975	975
<b>Total Other Long-term Liabilities</b>	<b>103,369</b>	<b>102,029</b>	<b>5,126</b>	<b>5,884</b>
Liabilities at amortised cost:				
- Trade payables	-	-	61,144	54,816
- PFI arrangements	516	489	-	-
<b>Included in Creditors</b>	<b>516</b>	<b>489</b>	<b>61,144</b>	<b>54,816</b>
<b>Total Financial Liabilities</b>	<b>284,004</b>	<b>282,633</b>	<b>77,361</b>	<b>94,746</b>

## Note 19b Financial Instruments - Balances (continued)

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

**Table 2**

Financial Assets	Long Term		Short Term	
	31st March 2019	31st March 2020	31st March 2019	31st March 2020
	£000	£000	£000	£000
Amortised cost:				
- Principal at amortised cost	15,000	85,000	191,000	145,000
- Accrued interest	-	-	729	1,105
Other:				
Fair Value	-	-	8,292	7,607
<b>Total Investments</b>	<b>15,000</b>	<b>85,000</b>	<b>200,021</b>	<b>153,712</b>
Amortised cost:				
- Cash (including bank accounts)	-	-	12,973	15,943
Other:				
- Cash equivalents at fair value	-	-	28,700	43,100
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>41,673</b>	<b>59,043</b>
Amortised Cost:				
- Trade receivables	3,509	4,305	7,921	8,611
- Loans made for service purposes	4,232	8,959	1,096	758
<b>Included in Debtors</b>	<b>7,741</b>	<b>13,264</b>	<b>9,017</b>	<b>9,369</b>
<b>Total Financial Assets</b>	<b>22,741</b>	<b>98,264</b>	<b>250,711</b>	<b>222,124</b>

## Note 19c Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial Liabilities	Financial Assets			
	Amortised Cost	Amortised Cost	Other	2019/20 Total	2018/19 Total
	£000	£000	£000	£000	£000
Financial assets measured at fair value through profit or loss	-	-	685	685	-
Financial assets measured at amortised cost	-	1,487	-	1,487	-
<b>Net (gains)/losses</b>	<b>-</b>	<b>1,487</b>	<b>685</b>	<b>2,172</b>	<b>-</b>
Interest expense	18,550	-	-	18,550	16,391
Premia on loan repayment*	-	-	-	-	21,563
<b>Interest payable and similar charges</b>	<b>18,550</b>	<b>-</b>	<b>-</b>	<b>18,550</b>	<b>37,954</b>
Interest income	-	(2,443)	(442)	(2,885)	(2,104)
Dividends	-	-	(321)	(322)	(159)
<b>Interest and investment income</b>	<b>-</b>	<b>(2,443)</b>	<b>(763)</b>	<b>(3,207)</b>	<b>(2,263)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>18,550</b>	<b>(956)</b>	<b>(78)</b>	<b>17,515</b>	<b>35,691</b>

\*Loans with a nominal value of £51m were repaid in 2018/19 at a premium of £21,563k. This premia has been adjusted through the financial instruments adjustment account at Note 10.

## Note 19d Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds, the fair value is taken from the market price.

Some of the authority's financial assets are measured at fair value on a recurring basis and are described below:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the money was borrowed when interest rates were higher than they are now.

The table shows the amounts held at 31<sup>st</sup> March 2020 and the fair value reported in the 2018/19 accounts.

		31st March 2019		31st March 2020	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	134,491	191,562	134,491	197,519
Long-term LOBO loans	2	20,628	32,479	20,624	34,176
Other long-term loans	2	25,000	35,182	25,000	36,208
Bonds issued	1	-	-	-	-
Lease payables and PFI liabilities	2	84,642	140,154	85,008	138,492
Transferred debt liabilities	2	24,369	36,744	23,394	33,069
<b>Total</b>		<b>289,130</b>	<b>436,121</b>	<b>288,517</b>	<b>439,464</b>
Liabilities for which fair value is not disclosed *		72,235		88,862	
<b>Total Financial Liabilities</b>		<b>361,365</b>	<b>436,121</b>	<b>377,379</b>	<b>439,464</b>
<i>Recorded on balance sheet as:</i>					
Short-term creditors		66,786		61,189	
Short-term borrowing		11,091		34,046	
Long-term creditors		23,394		22,419	
Long-term borrowing		180,119		180,115	
Other long-term liabilities		79,975		79,610	
<b>Total Financial Liabilities</b>		<b>361,365</b>		<b>377,379</b>	

\*The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

## Note 19d Financial Instruments - Fair Values (continued)

Property Unit Trusts were valued using Level 1 inputs in 2018/19. However, due to market conditions in 2019/20 they are now valued using Level 2 inputs.

		31st March 2019		31st March 2020	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial assets held at fair value:</i>					
Money market funds	1	28,700	28,700	43,100	43,100
Corporate, covered and government bonds	2	-	-	-	-
Property Unit Trusts	2	8,292	8,292	7,607	7,607
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities	2	15,000	15,087	85,000	86,089
Long-term loans to companies	3	3,240	3,240	7,913	7,913
Finance Lease	3	992	992	1,046	1,046
Long-term Debtor	3	-	-	-	-
<b>Total</b>		<b>56,224</b>	<b>56,311</b>	<b>144,666</b>	<b>145,755</b>
Assets for which fair value is not disclosed *		217,227	-	175,723	-
<b>Total Financial Assets</b>		<b>273,451</b>	<b>56,311</b>	<b>320,389</b>	<b>145,755</b>
<i>Recorded on balance sheet as:</i>					
Long-term debtors		7,741		13,264	
Long-term investments		15,000		85,000	
Short-term debtors		9,016		9,370	
Short-term investments		200,021		153,712	
Cash and cash equivalents		41,673		59,043	
<b>Total Financial Assets</b>		<b>273,451</b>		<b>320,389</b>	

\* The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

## Note 20 Inventories

The value of inventories as at 31<sup>st</sup> March :

	Balance at 31st March 2019 £000	Balance at 31st March 2020 £000
Consumable Stores	369	375
Maintenance Materials	2,475	2,003
Work in Progress	188	369
<b>Total</b>	<b>3,032</b>	<b>2,747</b>

## Note 21 Debtors

### Long-Term Debtors

The value of long-term debtors as at 31<sup>st</sup> March :

	Balance at 31st March 2019 £000	Balance at 31st March 2020 £000
PFI Lease	2,390	2,659
Other Long Term Debtors	5,351	11,172
<b>Total</b>	<b>7,741</b>	<b>13,831</b>

### Short-Term Debtors

The value of short-term debtors as at 31<sup>st</sup> March:

	Balance at 31st March 2019 £000	Balance at 31st March 2020 £000
Central Government bodies	7,910	6,342
Other Local Authorities	2,026	2,412
NHS bodies	3,398	3,833
Public Corporations and Trading Funds	4	2
Other Entities and Individuals	18,263	20,853
Payments in Advance	8,192	8,524
Local Taxation (Council Tax & Business Rates)	9,616	12,891
<b>Total</b>	<b>49,409</b>	<b>54,857</b>

## Note 22 Cash and Cash Equivalents

The value of cash and cash equivalents as at 31<sup>st</sup> March:

	Balance at 31st March 2019	Balance at 31st March 2020
	£000	£000
Cash held by the Council	36	33
Bank	12,937	15,910
Short-term deposits	28,700	43,100
<b>Total Cash and Cash Equivalents</b>	<b>41,673</b>	<b>59,043</b>



## Note 23 Assets Held for Sale

The value of assets held for sale as at 31<sup>st</sup> March:

	2018/19	2019/20
	£000	£000
Balance at 1st April	4,284	3,863
Property, Plant and Equipment newly classified as held for sale	308	1,075
Property, Plant and Equipment declassified as held for sale	(99)	(246)
Assets Sold	(630)	(2,592)
<b>Balance at 31st March</b>	<b>3,863</b>	<b>2,100</b>

## Note 24 Creditors

The value of creditors as at 31<sup>st</sup> March:

	Balance at 31st March 2019	Balance at 31st March 2020
	£000	£000
Central Government bodies	21,349	27,158
Other Local Authorities	9,564	8,769
NHS bodies	2,039	916
Public Corporations and Trading Funds	17	8
Other Entities and Individuals	76,067	68,706
Receipts in Advance	18,980	32,096
<b>Total</b>	<b>128,016</b>	<b>137,653</b>

## Note 25 Provisions

The table below provides a list of provisions made by the authority at the end of the financial year:

### Payment of Insurance Claims

The Authority holds funds to meet the costs of insurance claims, for both claims received but not yet settled and claims that will be received in the future. The sum of £3.8m is held as a provision, being the amount that the Council estimates will be required to meet claims already received. A further sum of £8.5m is held as an earmarked reserve (as per Note 11), to meet the costs of liabilities incurred for which claims have not been received. Periodically, the fund value is reviewed by actuaries.

### Housing Benefit Subsidy Claims

The Council pays and administers Housing Benefit within Leicester and receives subsidy from the Government to reimburse it for amounts paid out. The amount of subsidy received is based on a claim completed annually.

Claims are subject to audit and often give rise to the discovery of overpayments to some benefits recipients. This can lead to the value of the claim being reduced, based on an extrapolation. A provision is maintained based on the total value of the subsidy claims outstanding. The provision currently totals £1m.

	Insurance	Housing Benefits	Equal Pay	s117 Mental Health Act	Housing	Business Rate Appeals	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2018</b>	<b>4,919</b>	<b>2,595</b>	<b>124</b>	<b>39</b>	<b>727</b>	<b>3,918</b>	<b>12,322</b>
Net Movement (additions less amounts used)	(977)	(1,545)	(124)	-	(30)	3,008	332
<b>Balance at 1st April 2019</b>	<b>3,942</b>	<b>1,050</b>	<b>-</b>	<b>39</b>	<b>697</b>	<b>6,926</b>	<b>12,654</b>
2019/20 Provisions/(Reductions)	3,482	-	-	-	(12)	6,621	10,091
Amounts used in 2019/20	(3,647)	(45)	-	-	-	(1,909)	(5,601)
<b>Balance at 31st March 2020</b>	<b>3,777</b>	<b>1,005</b>	<b>-</b>	<b>39</b>	<b>685</b>	<b>11,638</b>	<b>17,144</b>

### Section 117 Mental Health Act

The sum is a provision for refunds to people with mental health difficulties who have been charged for residential and nursing care. The sum provided for is based on known cases, for which there is a possibility that the Council will be required to make refunds.

### Housing Provisions

The sum is held in respect of HRA liabilities within the Housing service including losses on stock and liabilities to other third parties.

### Business Rate appeals

A number of appeals against rateable value assessments have not been determined by the Valuation Office Agency. If successful, there will be a retrospective reduction in income. Therefore, a provision has been charged to the collection fund calculated at a total of £15.7m (Council share of £11.6m).

## Note 26 Usable Reserves

Movements in the Council's usable reserves are detailed in the table below, which indicates the statement or note that provides further detail.

	Opening Balance	Movement	Closing Balance	Supporting Note
	£000	£000	£000	
General Fund	(15,000)	-	(15,000)	MIRS and Narrative Statement
Earmarked Reserves	(222,005)	(22,429)	(244,434)	Note 11 and Narrative Statement
<b>Total General Fund Reserves</b>	<b>(237,005)</b>	<b>(22,429)</b>	<b>(259,434)</b>	
Housing Revenue Account	(30,508)	(2,317)	(32,825)	HRA Statements and Notes
Major Repairs Reserve	-	-	-	Note 10 and HRA Note 13
Capital Receipts Reserve	(105,823)	(4,618)	(110,441)	Note 10
Capital Grants Unapplied Reserve	(69,665)	3,037	(66,628)	Note 10
<b>Total Usable Reserves</b>	<b>(443,001)</b>	<b>(26,327)</b>	<b>(469,328)</b>	

## Note 27a Unusable Reserves

Unusable reserves contain items that illustrate the difference between the Council's financial position under accounting standards (the "accounting basis") and the amount charged to the taxpayer for the year (the "funding basis").

	Restated 31st March 2019	31st March 2020
	£000	£000
Revaluation Reserve	(923,043)	(938,563)
Capital Adjustment Account	(1,066,605)	(1,004,281)
Financial Instruments Adjustment Account	20,909	20,288
Deferred Capital Receipts Reserve	(1,298)	(1,416)
Pensions Reserve	811,626	600,488
Collection Fund Adjustment Account	2,243	(2,138)
Accumulated Absences Account	6,966	7,844
<b>Total Unusable Reserves</b>	<b>(1,149,202)</b>	<b>(1,317,778)</b>

## Note 27b Unusable Reserves (continued)

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment, heritage assets, assets held for sale and intangible assets. The balance is reduced when assets with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1<sup>st</sup> 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.

	Restated 2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>(679,124)</b>	<b>(923,043)</b>
Upward revaluation of assets	(322,861)	(115,818)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	42,821	41,257
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(280,040)</b>	<b>(74,561)</b>
Difference between fair value depreciation and historical cost depreciation	13,055	19,149
Accumulated gains on assets sold or scrapped	23,066	39,892
<b>Balance at 31st March</b>	<b>(923,043)</b>	<b>(938,563)</b>

## Note 27c Unusable Reserves (continued)

### 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 credited with sums provided to fund capital expenditure, both current and previous, with sums being transferred from the capital receipts reserve, capital grants and contributions, the Major Repairs Reserve and the General Fund (either direct funding or provision for repayment of borrowing). The account is debited with the reversal of sums charged to the CIES (to reflect the use of the asset by services) to avoid an impact on the General Fund. These charges include depreciation, impairment and amortisation.

The account contains revaluation gains accumulated on property, plant and equipment, heritage assets, assets held for sale and intangible assets before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains. The table below provides details of the source of all the transactions posted to the account.

	Restated 2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>(1,137,624)</b>	<b>(1,066,605)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	101,547	110,535
Revaluation (gain)/loss on Property, Plant and Equipment	(2,081)	15,686
Amortisation of intangible assets	681	660
Revenue expenditure funded from capital under statute	33,955	13,071
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Income and Expenditure Statement	82,343	85,069
	<b>(921,179)</b>	<b>(841,584)</b>
Adjusting amounts written out of the Revaluation Reserve	(36,121)	(59,041)
Net written out amount of the cost of non-current assets consumed in the year	<b>(957,300)</b>	<b>(900,625)</b>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,518)	(20,806)
Use of the Major Repairs Reserve to finance new capital expenditure	(11,121)	(11,662)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(69,952)	(51,824)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,247)	(11,771)
Capital expenditure charged against the General Fund and HRA balances	(19,467)	(7,593)
<b>Balance at 31st March</b>	<b>(1,066,605)</b>	<b>(1,004,281)</b>

## Note 27d Unusable Reserves (continued)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the account to manage discounts and premia paid on the early redemption of loans. Discounts are credited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Premia are debited to the CIES when they are

incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the income (on discounts) and the expense (on premia) are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

The statutory arrangements referred to came into force on 1st April 2007 and applied to unamortised balances as at that date. The bulk of the outstanding balance is amortised over 10 years from that date with part of that balance being amortised over shorter periods.

The general policy is that any premia that are incurred in the future will be amortised over the longer of the residual life of the loan repaid or the life of any replacement loan that was taken. Shorter amortisation periods may be adopted, however, when this is considered prudent. Any discount that is received in the future will be amortised over the residual life of the loan repaid.

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	-	<b>20,909</b>
Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	21,563	-
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	(654)	(621)
<b>Balance at 31st March</b>	<b>20,909</b>	<b>20,288</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	20,909	(621)



## Note 27e Unusable Reserves (continued)

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve (DCCR) holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. For the Council these amounts relate to mortgage loans made in respect of the purchase of Council dwellings and to properties leased out under finance leases. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When mortgage and lease payments are made the principal repayment element of these amounts are transferred to the Capital Receipts Reserve.

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>(1,239)</b>	<b>(1,298)</b>
Transfer of deferred sale proceeds to the DCCR	(255)	(406)
Transfer to the Capital Receipts Reserve upon receipt of cash	196	288
<b>Balance at 31st March</b>	<b>(1,298)</b>	<b>(1,416)</b>

## Note 27f Unusable Reserves (continued)

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-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, and changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>634,031</b>	<b>811,626</b>
Remeasurement of the Net Defined Benefit Liability	129,710	(254,639)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	91,351	90,716
Employer's pensions contributions and direct payments to pensioners payable in the year	(43,466)	(47,215)
<b>Balance at 31st March</b>	<b>811,626</b>	<b>600,488</b>

## Note 27g&h Unusable Reserves (continued)

### Collection Fund Adjustment Account

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

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>1,682</b>	<b>2,243</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	561	(4,381)
<b>Balance at 31st March</b>	<b>2,243</b>	<b>(2,138)</b>

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>6,090</b>	<b>6,966</b>
Settlement or cancellation of accrual made at the end of the preceding year	(6,090)	(6,966)
Amounts accrued at the end of the current year	6,966	7,844
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	876	878
<b>Balance at 31st March</b>	<b>6,966</b>	<b>7,844</b>

### Accumulated Absences Account

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

## Note 28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2018/19	2019/20
	£000	£000
Interest received	(2,263)	(3,207)
Interest paid	37,954	18,550
<b>Net interest</b>	<b>35,691</b>	<b>15,343</b>

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

	Restated 2018/19	2019/20
	£000	£000
Depreciation	(44,234)	(50,729)
Downward revaluations, impairment losses and reversal of prior year impairments	(56,412)	(78,978)
Amortisation	(681)	(660)
Increase / (decrease) in creditors	19,074	(7,894)
(Increase) / decrease in debtors	(2,034)	5,536
(Increase) / decrease in inventories	273	(285)
Movement in pension liability	(47,885)	(43,501)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(81,158)	(79,233)
Other non-cash items charged to the net surplus or deficit on the provision of services	(443)	(5,174)
	<b>(213,500)</b>	<b>(260,918)</b>

## Note 28 Cash Flow Statement - Operating Activities (continued)

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

	2018/19	2019/20
	£000	£000
Capital Grants credited to surplus or deficit on the provision of services	117,168	49,093
Proceeds from the sale of property plant and equipment, investment property and intangible assets	27,038	27,621
	<b>144,206</b>	<b>76,714</b>

## Note 29 Cash Flow Statement Investment Activities

	2018/19	2019/20
	£000	£000
Purchase of property, plant and equipment and intangible assets	63,286	97,877
Purchase of short-term and long-term investments	1,543,905	1,095,650
Other payments for investing activities	(1,282)	5,971
Proceeds from sale of property, plant and equipment and intangible assets	(27,038)	(27,621)
Proceeds from short-term and long-term investments	(1,553,782)	(1,071,649)
Other receipts from investing activities	(94,113)	(49,231)
<b>Net Cash Flows from Investing Activities</b>	<b>(69,024)</b>	<b>50,997</b>

## Note 30 Cash Flow Statement Financing Activities

	2018/19	2019/20
	£000	£000
Cash receipts of short and long-term borrowing	(32,497)	(56,625)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	415	4,460
Repayments of short and long-term borrowing	95,777	33,705
<b>Net Cash Flows from Financing Activities</b>	<b>63,695</b>	<b>(18,460)</b>

## Note 31 - Pooled Budgets

The Council has entered into the following pooled budget arrangement under Section 75 of National Health Services Act 2006:

### *Supply of Integrated Community Equipment Loan Services (ICELS)*

This is an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and the three Clinical Commissioning Group's (CCG's) in the areas covered by the councils. Leicester City Council acts as the host partner.

The City Council contributed £0.72m (Adult Social Care contribution of £0.64m and Education contribution of £0.08m) to the pool during 2019/20 (£0.68m in 2018/19 of which Adult Social Care contributed £0.64m and Education contributed £0.04m) and this expenditure is also included in the Adult Social Care line and the Education of the Comprehensive Income and Expenditure Statement.

	2018/19	2019/20
	£000	£000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	681	715
Leicestershire County Council	1,090	1,224
Rutland County Council	84	72
Leicester City CCG	1,119	1,220
East Leicestershire and Rutland CCG	986	1,113
West Leicestershire CCG	1,103	1,138
<b>Total Funding provided to the pooled budget</b>	<b>5,063</b>	<b>5,482</b>
<b>Total Expenditure met from the pooled budget</b>	<b>5,063</b>	<b>5,482</b>



## Note 31 Pooled Budgets (continued)

### Better Care Fund

This is an arrangement between Leicester City Council and the NHS Leicester City Clinical Commissioning Group (LCCCG) to meet the aims and benefits prescribed in the section 75 agreement by delivering a robust and more integrated service between health and social care.

The Better Care Fund (BCF) has been established by the Government to provide funds to local areas to support the integration of health and social care. The grant is to be used for the purposes of meeting adult social care needs; reducing pressures on the NHS including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

It is a requirement of the BCF that the LCCCG and the LCC establish a pooled fund/budget for this purpose. The LCCCG acts as the host partner.

Details of the income and expenditure in the pool are provided in the table on the righthand side.

	2019/20
	£000
<b><u>Income</u></b>	
<b>Revenue</b>	
CCG Minimum Fund	23,936
Improved Better Care Fund (iBCF)	15,467
Winter Pressures	1,574
<b>Total Revenue Income</b>	<b>40,977</b>
Capital-Disabled Facilities Grant	2,392
<b>Total Income</b>	<b>43,369</b>
<b><u>Expenditure</u></b>	
<b>Revenue</b>	
Actual Spend incurred by LCC managed schemes incl IBCF	32,693
Actual spend incurred by LCCCG & LPT (Leicestershire Partnership Trust) managed schemes	6,536
<b>Total Revenue Expenditure</b>	<b>39,229</b>
<b><u>Capital</u></b>	
Disabled Facilities Grant	2,392
<b>Total Capital Expenditure</b>	<b>2,392</b>
<b>Total Expenditure</b>	<b>41,621</b>
<b>Revenue - Net outturn over/(under) spend:</b>	<b>(1,748)</b>

## Note 32 Members' Allowances

The Council paid the following amounts to members of the Council during the year:

	2018/19	2019/20
	£	£
Basic Allowance Payments	579,161	590,821
Special Responsibility Payments	386,795	384,323
General Expense Payments	83,277	84,855
<b>Total</b>	<b>1,049,233</b>	<b>1,059,999</b>

## Note 33 Officers' Remuneration

This note comprises two parts. The first discloses the remuneration of the Council's most senior officers. The second part discloses the total number of 'higher paid' Council officers whose remuneration exceeded £50k during 2019/20, shown in bands and excluding those senior officers in the first part.

### Part 1 - Senior Employees' Remuneration

The table shows the amounts paid to the holders of senior posts in 2019/20 with comparative data from 2018/19 where applicable.

Senior employees are defined as certain statutory chief officer posts (including the Head of Paid Service), those earning over £150k per annum and those earning less than this sum but reporting directly to the Head of Paid Service (Chief Operating Officer).

Remuneration in this table (as defined in statutory regulations) includes salary, fees/allowances, employer's pension contributions, taxable benefits and any compensation for loss of office.

Post	Financial Year	Salary, Fees and Allowances	Pension Contributions	Compensation for loss of office	Total
		£	£	£	£
Chief Operating Officer (Head of Paid Service)	2019/20	139,838	32,653	-	<b>172,491</b>
	2018/19	136,337	30,566	-	<b>166,903</b>
Director Delivery, Communications & Political Governance	2019/20	95,831	23,670	-	<b>119,501</b>
	2018/19	93,952	20,921	-	<b>114,873</b>
Director of Finance	2019/20	95,831	21,671	-	<b>117,502</b>
	2018/19	93,952	20,348	-	<b>114,300</b>
City Barrister & Head of Standards (Note 1)	2019/20	77,775	19,192	-	<b>96,967</b>
	2018/19	76,176	18,054	-	<b>94,230</b>
Strategic Director Social Care and Education (Note 2)	2019/20	112,388	27,760	-	<b>140,148</b>
	2018/19	127,486	30,214	-	<b>157,700</b>
Strategic Director Social Care and Education (Note 3)	2019/20	13,129	3,243	-	<b>16,372</b>
	2018/19	-	-	-	-
Strategic Director - City Development & Neighbourhoods (Note 4)	2019/20	12,199	557	44,736	<b>57,492</b>
	2018/19	127,486	30,214	-	<b>157,700</b>
Director of Public Health (Note 5)	2019/20	96,420	13,865	-	<b>110,285</b>
	2018/19	16,846	2,458	-	<b>19,304</b>

Notes:

- 1) City Barrister works on a part time basis.
- 2) The Strategic Director Social Care and Education left the role on 30th January 2020.
- 3) The new Strategic Director Social Care and Education took up the role on 2nd March 2020
- 4) The Strategic Director - City Development & Neighbourhoods left the role on 6th April 2019
- 5) The new Director of Public Health took up the role 24th January 2019

## Note 33 Officers' Remuneration (continued)

### Part 2 - Higher Paid Employees

The number of other Council employees receiving more than £50,000 remuneration for the year are shown in the table below. In line with the relevant regulations, the table excludes the senior officers listed in the table above.

These figures include teaching, senior leadership and support staff within local authority schools. Employees in schools which become academies are only included if their remuneration during the period of the financial year prior to academy conversion (i.e. when the school was under the local authority) exceeded the £50k threshold. Further details of academies higher paid employees are published by academies themselves or can be requested directly from academies under the Freedom of Information Act 2000.

It should be noted that the definition of remuneration in this table differs from that in the table above (in line with regulations) as it excludes employer's pension contributions.

The table includes compensation for loss of office, so employees who left in the year may appear in a higher band than the equivalent role would appear in based on a normal year's salary. Equally, some posts would not be included in the table based on a normal year's salary, but are included because of payments for compensation for loss of office.

The threshold for inclusion in this report is defined in regulations and remains static at £50k annually. Salaries paid to staff include annual pay increases as and when these are awarded, increasing the scope of the report over time.

Remuneration Band £	Number of Employees					
	Non-Schools		Schools		Total	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
<b>50,000-54,999</b>	47	58	66	67	113	125
<b>55,000-59,999</b>	30	40	39	38	69	78
<b>60,000-64,999</b>	10	19	24	29	34	48
<b>65,000-69,999</b>	23	20	18	19	41	39
<b>70,000-74,999</b>	2	5	18	18	20	23
<b>75,000-79,999</b>	4	6	5	10	9	16
<b>80,000-84,999</b>	-	-	3	5	3	5
<b>85,000-89,999</b>	2	1	2	1	4	2
<b>90,000-94,999</b>	9	1	2	3	11	4
<b>95,000-99,999</b>	-	9	2	1	2	10
<b>100,000-104,999</b>	-	-	1	1	1	1
<b>105,000-109,999</b>	-	-	1	-	1	-
<b>110,000-114,999</b>	-	-	-	1	-	1
<b>115,000-119,999</b>	-	-	1	-	1	-
<b>120,000-124,999</b>	-	-	-	-	-	-
<b>125,000-129,999</b>	-	-	-	-	-	-
<b>130,000-134,999</b>	-	-	-	-	-	-
<b>Total</b>	<b>127</b>	<b>159</b>	<b>182</b>	<b>193</b>	<b>309</b>	<b>352</b>

## Note 34 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 and to non-audit services provided by the Council's external auditors:

	2018/19	2019/20
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	113	133
Fees payable for the certification of grant claims and returns for the year	53	54
Fees payable in respect of other services provided during the year	11	11
<b>Total</b>	<b>177</b>	<b>198</b>

## Note 35 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2019/20 are as follows:

2019/20	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2019/20 before Academy recoupment</b>			<b>324,959</b>
Academy figure recouped for 2019/20	-	-	(107,452)
<b>Total DSG after Academy recoupment for 2019/20</b>			<b>217,507</b>
Brought forward from 2018/19	-	-	8,210
<b>Agreed initial budgeted distribution in 2019/20</b>	<b>85,855</b>	<b>139,862</b>	<b>225,717</b>
In year adjustments	(33)	-	(33)
<b>Final budgeted distribution for 2019/20</b>	<b>85,822</b>	<b>139,862</b>	<b>225,684</b>
Actual central expenditure for the year	(80,245)	-	(80,245)
Actual ISB deployed to schools	-	(139,862)	(139,862)
<b>Carry forward to 2020/21</b>	<b>5,577</b>	<b>-</b>	<b>5,577</b>

2018/19	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2018/19 before Academy recoupment</b>			<b>315,810</b>
Academy figure recouped for 2018/19	-	-	(80,868)
<b>Total DSG after Academy recoupment for 2018/19</b>			<b>234,942</b>
Brought forward from 2017/18	-	-	12,709
<b>Agreed initial budgeted distribution in 2018/19</b>	<b>64,451</b>	<b>183,200</b>	<b>247,651</b>
In year adjustments	(514)	-	(514)
<b>Final budgeted distribution for 2018/19</b>	<b>63,937</b>	<b>183,200</b>	<b>247,137</b>
Actual central expenditure for the year	(55,727)	-	(55,727)
Actual ISB deployed to schools	-	(183,200)	(183,200)
<b>Carry forward to 2019/20</b>	<b>8,210</b>	<b>-</b>	<b>8,210</b>

## Note 36 Grant Income

### Capital grants recognised in the year

The Council received the following revenue and capital grants in 2019/20.

These grants are analysed between those credited to the Comprehensive Income and Expenditure Statement and those held as receipts in advance, in line with the Council's accounting policies.

	2018/19	2019/20
	£000	£000
<b>Credited to Services (All REFCUS related)</b>		
DFE Basic Need Grant	14,899	3,935
Local Growth Fund	4,749	-
Local Growth Fund Transferred From Other Local Authorities	6,050	-
DFT Cleaner Bus Technology Grant	2,203	-
Disabled Facilities Grant	1,390	1,563
Devolved Formula Capital Grant	1,120	2,692
Collaborate Business Grants	611	217
Public Health Grants	531	-
Others	198	-
<b>Total Credited to Services</b>	<b>31,751</b>	<b>8,407</b>
	2018/19	2019/20
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
DFE Basic Need Grant	43,712	11,243
Local Growth Fund	10,746	4,665
DFT Transforming Cities Fund	7,840	1,624
S106 Contributions	5,934	2,535
Other DFT Grants	3,747	4,170
DFE Capital Maintenance Grant	3,204	2,827
DFT Integrated Transport Grant	2,556	2,556
DFT Maintenance Grant	2,102	2,102
DFE Devolved Capital Formula Grant	1,002	925
ERDF Low Carbon Projects	-	1,812
Homes England Grant	-	1,412
Disabled Facilities Grant	1,123	-
DFT Cleaner Bus Technology Fund	983	-
DFE SEND Funding	525	-
National Heritage Lottery Fund	490	-
DFE Healthy Pupil Capital Fund	307	-
Other	1,146	515
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>85,417</b>	<b>36,386</b>

## Note 36 Grant Income (continued)

### Capital grants received in advance

The Council has received a number of capital grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that have not yet been met. The balances at the year-end are as follows:

	2018/19	2019/20
	£000	£000
<b>Capital Grants Receipts in Advance</b>		
DFE Basic Need Grant	5,690	7,252
Devolved Formula Capital Grant	5,183	4,811
S106 Contributions	1,894	1,549
DFT Transport Grants	460	-
DFT Breathe Grants	184	184
<b>Total Capital Grants Receipts in Advance</b>	<b>13,411</b>	<b>13,796</b>
Capital Receipts not Recognised (deposits)	335	88
<b>Total Received in Advance</b>	<b>13,746</b>	<b>13,884</b>



## Note 36 Grant Income (continued)

### Revenue grants recognised in the year

Under the 75% Business Rates retention pilot scheme arrangements for 2019/20 the council does not receive Revenue Support Grant

	2018/19	2019/20
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	38,358	-
Section 31 Grants	8,012	10,216
Social Services Support Grant	984	2,689
New Homes Bonus Scheme	6,229	6,858
Other	1,530	4,773
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>55,113</b>	<b>24,536</b>
<b>Credited to Services</b>		
<b>Children's and Education Services</b>		
Pupil Premium	13,409	11,621
Dedicated Schools Grant (see note 27)	234,942	217,507
Other Education	25,455	27,671
<b>Adults and Housing</b>		
Improved Better Care Fund	12,343	15,467
Other Adult Social Care	2,938	2,189
<b>Public Health</b>		
Public Health Grant	26,811	26,117
Other Public Health	146	140
<b>City Development, Neighbourhoods &amp; Housing</b>		
Waste PFI	2,074	2,074
Other City Development, Neighbourhoods & Housing	14,198	11,590
<b>Corporate and Resources</b>		
Housing Benefit Subsidies	110,997	93,129
Housing Benefit & Council Tax Benefit Admin Grant	1,429	1,264
Local Council Tax Support Admin Grant	497	461
Elections	187	955
Waste PFI	517	517
Covid 19 LA Support Grant	-	10,899
Other Corporate and Resources	2,129	2,353
<b>Total Credited to Services</b>	<b>448,072</b>	<b>423,954</b>
<b>Total Recognised in Year</b>	<b>503,185</b>	<b>448,490</b>

## Note 36 Grant Income (continued)

### Revenue grants received in advance

The Council has received a number of revenue grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that have not yet been met. The balances at the year-end are as follows:

	2018/19	2019/20
	£000	£000
<b>Children's and Education Services</b>		
Other Education	78	-
<b>City Development, Neighbourhoods &amp; Housing</b>		
City Development, Neighbourhoods & Housing	133	202
<b>Public Health</b>		
Other Public Health	114	-
<b>Taxation &amp; Non Specific Grant Income</b>		
Section 31 Grants	-	11,243
<b>Total Receipts in Advance</b>	<b>325</b>	<b>11,445</b>

## Note 37 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 in Part 1 below allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

### Organisations or individuals which are related parties of the Council

#### **Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grant funding received from central government is shown within Note 36 to the accounts.

#### **Members and Officers**

Members and senior officers of the Council have direct control of the financial and operating

policies of the Council. Members receive allowances for their role and these are detailed in Note 32. Remuneration of senior officers is detailed in Note 33.

All wards in the city are allocated a ward budget of £18k per annum. These budgets are used to fund projects in wards and the allocations are determined by elected members.

Members and officers are also required to disclose any other arrangements giving rise to related party interests.

17 Members of the Council and 2 senior officers sit (either in a personal capacity or as representatives of the Council) on the governing bodies of 24 different organisations. The Council made a total of £3.5m in payments to twenty of these organisations, primarily in the form of grants, works or services. All payments are made with proper consideration of declaration of interest. The relevant members did not take part in any discussion or decision relating to the payments. In addition a total of £1.7m was received from sixteen of the organisations, primarily relating to services provided by the Council.

Details of members' interests are recorded in the Register of Members' Interest open to public inspection at the Town Hall during office hours.

### **Leicester & Leicestershire Enterprise Partnership (LLEP)**

The Council is the accountable body for LLEP. The City Mayor and 2 senior officers from the council sit on various boards, along with representatives from Leicestershire County Council, Leicestershire district councils, the private sector, voluntary sector, government and education sector.

The Council made total payments of £0.3m to the LLEP, primarily in the form of interest payments due on the balances that the Council holds on their behalf. In addition £4.9m was received, £4.7m from the LLEP relates to capital grants and £0.2m for the provision of services. These are not included in the related party transactions above.

At 31st March 2020 the council held a balance of £19.6m on behalf of the LLEP.

## Note 38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it.

This note also illustrates the Council's Capital Financing Requirement (CFR). The CFR represents the total underlying borrowing required to finance the Council's assets. There are two key points to note about this borrowing:

- Most borrowing used to finance capital expenditure was incurred prior to 2010, when the standard model in local government entailed borrowing funded by central government over the life of the loan. Since 2010, government has provided grant funding upfront to support all government funded capital expenditure. Borrowing is now only undertaken to support schemes that deliver revenue savings sufficient to repay the debt
- New borrowing does not necessarily represent external loans taken out, but is generally financed by the Council's free cash flows. This minimises the cost of external borrowing to the Council

Where capital expenditure is not financed by grant or revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). Increases in the CFR result in higher levels of Minimum Revenue Provision (MRP) charged to the revenue budget in future years. The Council's policy for the calculation of MRP is set out in its annual budget setting report presented to Council.

	2018/19	2019/20
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>566,446</b>	<b>560,588</b>
<b><u>Capital Investment</u></b>		
Property, Plant and Equipment	61,910	101,524
Intangible Assets	1,060	731
Heritage Assets	733	83
Revenue Expenditure Funded from Capital Under Statute	33,955	13,071
Capital Loans Expenditure	1,451	3,287
Property Unit Trusts	8,292	-
De Minimis Capital Spend	46	4
Sub-total	<b>107,447</b>	<b>118,700</b>
<b><u>Sources of Finance</u></b>		
Capital Receipts	(7,518)	(20,806)
Government Grants & Other Contributions	(69,952)	(51,824)
Sums set aside from revenue:		
Direct Revenue Contributions	(30,588)	(19,255)
(MRP/Loans Fund Principal)	(5,247)	(11,771)
Sub-total	<b>(113,305)</b>	<b>(103,656)</b>
<b>Closing Capital Financing Requirement</b>	<b>560,588</b>	<b>575,632</b>
Increase/(Decrease) in underlying need to borrowing	(5,720)	11,067
HRA CFR adjustment	(138)	(138)
Assets acquired under Finance Leases	-	1,852
Assets acquired under PFI contracts	-	2,263
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(5,858)</b>	<b>15,044</b>

## Note 39 Leases

### Council as Lessee

#### *Finance Leases*

The Council has acquired a number of assets under finance leases, including various buildings and IT equipment. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31st March 2019 £000	31st March 2020 £000
Other Land and Buildings	5,659	4,685
Vehicles, Plant and Equipment	151	627
<b>Total</b>	<b>5,810</b>	<b>5,312</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31st March 2019 £000	31st March 2020 £000
Finance lease liabilities	7,184	9,040
Finance costs payable in future years	14,367	18,198
<b>Total minimum lease payments</b>	<b>21,551</b>	<b>27,238</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2019 £000	31st March 2020 £000	31st March 2019 £000	31st March 2020 £000
Within one year	419	657	(4)	224
Within 2 to 5 years	1,960	2,689	332	804
Later than 5 years	19,172	23,892	6,856	8,012
<b>Total</b>	<b>21,551</b>	<b>27,238</b>	<b>7,184</b>	<b>9,040</b>

## Note 39 Leases (continued)

### Operating Leases

The Council leases a number of buildings for operational use. The future minimum lease payments due under non-cancellable leases in future years are:

	31st March 2020 £000
Not later than one year	758
Later than one year and not later than 5 years	2,643
Later than 5 years	5,231
<b>Total</b>	<b>8,632</b>

### Council as Lessor

#### Finance Leases

The council has leased out a number of properties on finance leases, two of which are on peppercorn annual payments. The following tables show the lease debtors and lease payments for the remainder:

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	31st March 2020 £000
<b>Finance Lease Debtor</b>	
Current	27
Non-current	1,047
Unearned finance income	1,786
<b>Gross Investment in the lease</b>	<b>2,860</b>

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

	31st March 2020 £000
<b>Minimum Lease Payments</b>	
Within one year	96
Within 2 to 5 years	385
Later than 5 years	2,379
<b>Total</b>	<b>2,860</b>

## Note 39 Leases (continued)

### Operating Leases

The Council leases out a number of buildings for economic support purposes. The future minimum lease payments due under non-cancellable leases in future years are:

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

	31st March 2019	31st March 2020
	£000	£000
Not later than one year	5,196	4,836
Later than one year and not later than 5 years	14,423	13,384
Later than 5 years	81,619	79,090
<b>Total</b>	<b>101,238</b>	<b>97,310</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements

### *Integrated Waste Management Service*

In 2003, the Council entered into a 25 year contract valued in excess of £300m with Biffa (Leicester) Ltd under the PFI scheme. The arrangement, which became operational in 2004, covers the collection, treatment and disposal of city residents' waste. The contractor took on the obligation to provide assets required to deliver these services, including a recycling facility, purpose-built anaerobic digester for organic waste, and vehicles used in the waste collection and recycling services. At the end of the contract, the assets will be transferred to the Council for nil consideration.

2019/20 was the seventeenth year of the operation of the contract, costing £14.8m (£14.5m in 2018/19).

### *Property Plant and Equipment*

The assets used to provide the waste management service are provided by the operator, but are recognised on the Council's Balance Sheet annually.

	Other Land & Buildings	Vehicles, & Equipment	Total
	£000	£000	£000
Balance at 1st April 2019	11,563	570	12,133
Additions	-	2,263	2,263
Depreciation	(1,285)	(515)	(1,800)
<b>Balance at 31st March 2020</b>	<b>10,278</b>	<b>2,318</b>	<b>12,596</b>



## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2020 (excluding future inflation) are as follows:

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to the contractor for capital expenditure incurred are shown in the table.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Within 1 year	6,558	2,060	537	9,155
Within 2 to 5 years	33,344	10,065	2,943	46,352
Within 6 to 10 years	14,114	4,063	446	18,623
<b>Total</b>	<b>54,016</b>	<b>16,188</b>	<b>3,926</b>	<b>74,130</b>

	2018/19	2019/20
	£000	£000
Balance outstanding at 1st April	5,200	3,239
Payments during the year	(1,961)	(1,987)
Additions	-	2,263
<b>Balance at 31st March</b>	<b>3,239</b>	<b>3,515</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### *Building Schools for the Future – Phase 1 - Rebuild of Judgemeadow and Soar Valley Community Colleges*

In December 2007, the Council entered into a 25-year contract with Leicester BSF Company 1 Limited under a PFI scheme. The contractor was to design, build, finance and operate, on the existing sites, replacement buildings for two community colleges – Judgemeadow and Soar Valley – valued at £34.9m (on completion of the rebuild in 2009). At the end of the contract, as

things stand, all assets will revert to Council control. Under the Government's current policies the trend of more schools becoming academies is likely to continue. If any PFI schools convert, the Council will continue to make payments under this contract from a combination of PFI credits and contributions from schools. At conversion the assets would transfer to the

academy, subject to the on-going provisions of the PFI contract. The rebuild for phase 1 was completed in 2009 and 2019/20 was therefore the eleventh year of the operation of the contract costing £6.6m.

#### *Property Plant and Equipment*

The assets used to provide the service are recognised on the Council's Balance Sheet. The value of fixed assets included within the contract, and an analysis of the movement in those values, are shown below:

	Other Land & Buildings
	£000
Balance at 1st April 2019	36,015
Revaluations	2,108
Depreciation	(923)
<b>Balance at 31st March 2020</b>	<b>37,200</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2020 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement Costs	Total
	£000	£000	£000	£000	£000
Within 1 year	2,325	943	2,449	976	6,693
Within 2 to 5 years	9,968	5,055	8,806	3,726	27,555
Within 6 to 10 years	14,167	8,636	8,007	6,352	37,162
Within 11 to 15 years	13,358	12,645	3,114	2,323	31,440
<b>Total</b>	<b>39,818</b>	<b>27,279</b>	<b>22,376</b>	<b>13,377</b>	<b>102,850</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure incurred is shown:

	2018/19	2019/20
	£000	£000
Balance outstanding at 1st April	28,511	27,976
Payments during the year	(535)	(697)
<b>Balance at 31st March</b>	<b>27,976</b>	<b>27,279</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### *Building Schools for the Future – Phase 2 - Rebuild of Crown Hills and City Of Leicester Community Colleges*

On 31<sup>st</sup> March 2012 the City Council committed to a new joint PFI project scheme for the rebuilding of Crown Hills and City of Leicester Community Colleges. The Council is contracted to Leicester BSF Company 2 Limited for 25 years. The new schools became operational at the end of October 2013 with construction costs of £44.6m. At the end of the contract, as things

stand, all assets will revert to City Council control. Under the Government's current policies the trend of more schools becoming academies is likely to continue. If any PFI schools convert, the Council will continue to make payments under this contract from a combination of PFI credits and contributions from schools. At conversion assets would transfer to the

academy, subject to the on-going provisions of the PFI contract. 2019/20 was the seventh year of the operation of the contract costing £6.8m.

#### *Property Plant and Equipment*

The assets used to provide the service are recognised on the Council's Balance Sheet. The value of fixed assets is as shown:

	<b>Other Land &amp; Buildings</b>
	<b>£000</b>
Balance at 1st April 2019	68,148
Revaluations/(Impairment)	(1,626)
Depreciation	(1,641)
<b>Balance at 31st March 2020</b>	<b>64,881</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2020 are as follows:

	Payment for Services	Reimbursement of Capital	Interest	Lifecycle Capital Replacement	Total
	£000	£000	£000	£000	£000
Within 1 year	2,522	1,431	2,515	390	6,858
Within 2 to 5 years	10,816	5,254	9,108	3,571	28,749
Within 6 to 10 years	15,320	7,711	9,308	6,336	38,675
Within 11 to 15 years	17,605	11,464	6,084	6,335	41,488
Within 16 to 20 years	14,234	10,754	1,677	5,321	31,986
<b>Total</b>	<b>60,497</b>	<b>36,614</b>	<b>28,692</b>	<b>21,953</b>	<b>147,756</b>

The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2018/19	2019/20
	£000	£000
Balance outstanding at 1st April	39,191	37,919
Payments during the year	(1,272)	(1,305)
<b>Balance at 31st March</b>	<b>37,919</b>	<b>36,614</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### District Energy Heating & Combined Heat Power Scheme

On 14<sup>th</sup> January 2011 the Council signed an agreement with Leicester District Energy Company Ltd (LDEC Ltd) for the implementation and provision of a district heating and combined heat and power scheme in Leicester.

The scheme involves the replacement of existing heating boilers, the use of existing

heating networks and the construction of additional heating networks in the City Centre and some outer Council estates. Leicester University are part of the scheme and their heating and electricity networks are linked into the overall network scheme.

The initial capital investment made by LDEC Ltd for the whole scheme was £13.7m, of which £935k was funded by a CESP (Community Energy Saving Programme) Grant from LDEC Ltd's parent company, GDF Suez.

### Property Plant and Equipment

The assets used to provide the service and directly attributable to the City Council are recognised on the Council's Balance Sheet. The value of fixed assets attributable to the Council and operational as at 31<sup>st</sup> March 2020 are shown in the table:

	Vehicles, Plant & Equipment £000
Balance at 1st April 2019	7,750
Depreciation	(408)
<b>Balance at 31st March 2020</b>	<b>7,342</b>

### Payments

The Council will make payments each year which will be increased by inflation (based on a number of inflation measures) and can be reduced if the contractor fails to meet performance standards. Payments (substantially based on assumed levels of energy consumption) scheduled to be made under the contract at 31<sup>st</sup> March 2020 (excluding future inflation increases and the final phase which has yet to be completed) are as follows:

	Payment for Services £000	Reimbursement of Capital £000	Interest £000	Lifecycle Capital Replacement £000	Total £000
Within 1 year	1,793	250	803	215	3,061
Within 2 to 5 years	7,172	1,022	3,189	860	12,243
Within 6 to 10 years	8,965	1,961	3,303	1,076	15,305
Within 11 to 15 years	8,965	3,147	2,117	1,076	15,305
Within 16 to 20 years	4,908	2,231	426	538	8,103
Within 21 to 25 years	1,309	30	6	-	1,345
<b>Total</b>	<b>33,112</b>	<b>8,641</b>	<b>9,844</b>	<b>3,765</b>	<b>55,362</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### Liability

The liability outstanding to the contractor for capital expenditure incurred up to 31<sup>st</sup> March 2020 is as per the following table:

Under the terms of the agreement, at the end of the scheme, or, if earlier, upon termination of the agreement, LDEC Ltd will sell the boiler plant and heating network (such parts that are required to heat all of the City Council's buildings) to the City Council or to a new service provider. The term is designed to ensure that the City Council has a working district heating system at the end of the contract period. At the end of the scheme the expectation is that the sale price would be minimal. Under the agreement the Council has granted to LDEC Ltd licence to exercise rights to use the heat network to supply heat to any third party consumer. Any such supply agreements will be co-terminus with or less than the scheme term.

	2018/19	2019/20
	£000	£000
Liability for capital expenditure incurred for operational phases	8,613	8,357
Payments during the year	(256)	(262)
<b>Balance at 31st March</b>	<b>8,357</b>	<b>8,095</b>

## Note 41 Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20 incurring liabilities of £1.7m (£1.4m in 2018/19). Of this £0.9m (£1.0m in 2018/19) was for redundancy and other departure costs, and £0.9m (£0.4m in 2018/19) was the cost arising from the early release of pension benefits as required by the regulations of the Local Government Pension Scheme (LGPS).

The number of exit packages with total cost per band and total cost of the exit packages are set out in the table below. In 2019/20 the Council approved 44 compulsory redundancies (38 in 2018/19).

Band	Total number of exit packages by cost band	Total cost of exit 2018/19	Total number of exit packages by cost band	Total cost of exit 2019/20
£	2018/19	£	2019/20	£
0 - 20,000	123	769,330	59	427,186
20,001 - 40,000	11	281,074	10	306,333
40,001 - 60,000	3	158,477	8	396,842
60,001 - 80,000	1	61,801	6	421,226
80,001 - 100,000	1	83,691	2	168,041
<b>Total</b>	<b>139</b>	<b>1,354,373</b>	<b>85</b>	<b>1,719,628</b>



## Note 42 Pension Schemes Accounted for as Defined Contribution Schemes

### Teachers' Pensions

Teachers employed by the Council are eligible to be members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme. Under this treatment, the council has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Council's obligation is limited to the amount that it has agreed to contribute to the fund and in consequence, actuarial risk and investment risk fall on the employee.

In 2019/20, the Council paid £15.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 20.66% of pensionable pay. The figures for 2018/19 were £13.4m and 16.48%. The employer rate was increased to 23.68% from September 2019, however it is expected that additional funding will be provided by central government, the allocation of which is yet to be determined.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43.

### Public Health

Certain public health employees remain members of the NHS pension scheme. The scheme provides these staff with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme. Under this treatment, the council has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Council's obligation is limited to the amount that it has agreed to contribute to the fund and in consequence, actuarial risk and investment risk fall on the employee.

In 2019/20, the Council paid £0.1 m to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 14.38% of pensionable pay. The employer contribution increased to 20.6% from 1st April 2019, however the increase will be paid to the scheme by NHS England.

## Note 43 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 the payments that need to be disclosed at the time that employees earn their future entitlement.

The accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 25th August 2020 and includes an estimate of the McCloud judgement relating to the 2014 reforms of LGPS benefit structure.

The Council participates in three post-employment pension schemes:

- Teachers' Pensions Scheme – see Note 42 for further information
- NHS Pension Scheme – see Note 42 for further information
- The Local Government Pension Scheme, (LGPS) administered locally by the Leicestershire County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

Hymans Robertson, an independent firm of actuaries, has valued the Council's fund asset share and liabilities for the Local Government Pension Scheme.

## Note 43 Defined Benefit Pension Schemes (continued)

### Transactions relating to post-employment benefits (LGPS)

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make in the accounts 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 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.

	2018/19	2019/20
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
<u>Cost of Services</u>		
Current service cost	64,140	77,144
Past service cost	17,545	272
Settlements and curtailments	(7,807)	(6,453)
<b>Total Service Cost</b>	<b>73,878</b>	<b>70,963</b>
<b>Financing and Investment Income and Expenditure</b>		
Expected return on scheme assets	(34,400)	(32,415)
Interest cost	51,873	52,168
<b>Net Interest Cost</b>	<b>17,473</b>	<b>19,753</b>
<b>Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>91,351</b>	<b>90,716</b>
<b>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Return on plan assets excluding amounts included in net interest	(36,697)	138,267
Actuarial (gains)/losses arising from changes in demographic assumptions	-	(66,409)
Actuarial (gains)/losses arising from changes in financial assumptions	165,272	(201,638)
Other Experience adjustments	1,135	(124,859)
<b>Total remeasurements recognised in the Comprehensive Income and Expenditure Statement</b>	<b>129,710</b>	<b>(254,639)</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>221,061</b>	<b>(163,923)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	91,351	90,716
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	(43,466)	(47,215)
<b>Total Movement in Reserves</b>	<b>47,885</b>	<b>43,501</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>1,909,655</b>	<b>2,160,400</b>
Current service cost	64,140	77,144
Past service costs (including curtailments)	17,545	272
Effect of settlements	(16,932)	(12,857)
Interest cost	51,873	52,168
Contributions by scheme participants	10,706	11,081
Benefits paid	(42,994)	(50,138)
Remeasurements arising from changes in financial assumptions	166,407	(201,638)
Remeasurements arising from changes in other assumptions		(124,859)
Remeasurements arising from changes in demographic assumptions	-	(66,409)
<b>Balance at 31st March</b>	<b>2,160,400</b>	<b>1,845,164</b>

Reconciliation of fair value of the scheme (plan) assets:

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>1,275,624</b>	<b>1,348,774</b>
Interest income	34,400	32,415
Effect of settlements	(9,125)	(6,404)
Contributions by scheme participants	10,706	11,081
Employer contributions	43,466	47,215
Benefits paid	(42,994)	(50,138)
Return on plan assets excluding amounts included in net interest	36,697	(138,267)
<b>Balance at 31st March</b>	<b>1,348,774</b>	<b>1,244,676</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Note 43 Defined Benefit Pension Schemes (continued)

### Scheme History

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
Present value of funded obligations	(1,469,327)	(1,812,582)	(1,857,800)	(2,108,019)	(1,799,983)
Present value of unfunded obligations	(51,018)	(54,424)	(51,855)	(52,381)	(45,181)
Fair value of assets in the scheme	989,570	1,211,556	1,275,624	1,348,774	1,244,676
<b>Surplus/(deficit) in the scheme</b>	<b>(530,775)</b>	<b>(655,450)</b>	<b>(634,031)</b>	<b>(811,626)</b>	<b>(600,488)</b>

### Impact on future cash flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £1,845m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £600.5m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31<sup>st</sup> March 2020 is £45.4m. The maturity profile is as follows:

	Liability Split	Weighted Average Duration
Active members	44.0%	26.0
Deferred members	20.4%	26.0
Pensioner members	35.5%	11.7
<b>Total</b>	<b>100.0%</b>	<b>20.0</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2019.

The main assumptions used by the actuary have been:

Local Government Pension Scheme	2018/19	2019/20
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners (years):		
Men	22.1	21.5
Women	24.3	23.8
Longevity at 65 for future pensioners (years):		
Men	23.8	22.2
Women	26.2	25.2
<b>Benefit entitlement assumptions</b>		
Rate of increase in salaries	3.5%	2.4%
Rate of increase in pensions	2.5%	1.9%
Rate for discounting scheme liabilities	2.4%	2.3%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	50.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	75.0%

## Note 43 Defined Benefit Pension Schemes (continued)

The Local Government Pension Scheme's assets consist of the categories in the table below, by proportion of the total assets held:

	2018/19				2019/20			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total
	£000	£000	£000	Assets	£000	£000	£000	Assets
<b>Equity</b>								
Consumer	3,450	-	3,450	0%	3,184		3,184	0%
Manufacturing	1,010	-	1,010	0%	933		933	0%
Energy and Utilities	2,836	-	2,836	0%	2,617		2,617	0%
Financial Institutions	4,279	-	4,279	0%	3,949		3,949	0%
Health and Care	993	-	993	0%	916		916	0%
Information Technology	1,136	-	1,136	0%	1,048		1,048	0%
Other	9,779	-	9,779	1%	9,025		9,025	1%
<b>Debt Securities</b>								
UK Government	113,987	215	114,202	8%	105,190	198	105,388	8%
Other	17,468	-	17,468	1%	16,120		16,120	1%
<b>Private Equity</b>								
All	-	62,196	62,196	5%		57,396	57,396	5%
<b>Real Estate</b>								
UK Property	-	100,811	100,811	7%		93,030	93,030	7%
<b>Investment Fund and Unit Trusts</b>								
Equities	541,715	-	541,715	40%	499,905		499,905	40%
Bonds	56,994	-	56,994	4%	52,595		52,595	4%
Hedge Funds	113	-	113	0%	104		104	0%
Commodities	-	47,704	47,704	4%		44,022	44,022	4%
Infrastructure	-	70,935	70,935	5%		65,461	65,461	5%
Other	135,017	139,444	274,461	20%	124,596	128,682	253,278	20%
<b>Derivatives</b>								
Foreign Exchange	(1,714)	-	(1,714)	0%	(1,582)		(1,582)	0%
<b>Cash and Cash Equivalents</b>								
All	40,406	-	40,406	3%	37,287		37,287	3%
<b>Total</b>	<b>927,469</b>	<b>421,305</b>	<b>1,348,774</b>	<b>100%</b>	<b>855,887</b>	<b>388,789</b>	<b>1,244,676</b>	<b>100%</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### *Sensitivity Analysis*

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

Changes in assumptions at	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	181,273
0.5% increase in the Salary Increase Rate	1%	17,785
0.5% increase in the Pension Increase Rate	9%	161,952

The sensitivity figures above can be used to estimate the impact of adopting different financial assumptions. In order to qualify the impact of a change in the financial assumptions used, the value of the scheme liabilities have been calculated at the accounting date on varying bases.



# Note 44 Contingent Liabilities

The Council has no contingent liabilities to disclose in the 19/20 accounts.

## Note 45 Contingent Assets

The council has no contingent assets to disclose in the 19/20 accounts.

## Note 46 Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

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 Treasury Management team under the policies approved by Council in the Treasury Management Strategy.

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

### a) Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by leading credit rating agencies. Investments are also made in unrated building societies considered to be of equivalent credit worthiness.

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of loans to commercial entities as at the balance sheet date are as detailed opposite.

Investment Type	Maximum Investment Period	Minimum Credit Rating	Individual Lending Limit	Limit for Investment Type
Deposits – Credit Rated Banks and Building Societies	366 Days	A long term rating of A and a short term rating of F1	£10m	£100m
	6 months	A long term rating of A- and a short term rating of F2	£10m	
	100 days or less	A long term rating of BBB+ and a short term rating of F2	£10m Additional £5m overnight limit for Barclays Bank	
Covered Bonds	5 years	A long term rating of AA	£20m £2m for unrated building societies	Included in above
Repurchase Agreements (REPO)	1 year	To be no less secure than a deposit	£20m	Included in above
Deposits—unrated building societies	6 months	N/A – Advice taken from Treasury Advisors	£1m	£10m

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

The credit criteria applied to other investments are as detailed below:

Investment Type	Counterparty	Maximum Investment Period	Minimum Credit Rating	Individual Lending Limit	Limit for Investment Type
Deposits & Bonds	Local authority	5 Years	None required	£20m	£250m
Bonds	Local Government Bonds Agency	5 Years	A long term rating of AA-	£20m	
Bonds, Bills and Deposits	UK Public Sector & Quasi-Public Sector	5 Years	A long term rating of AA-	£20m	£40m
Deposits and Treasury Bills	UK Government / UK Government Guarantee	Unlimited	None required	Unlimited	Unlimited
Bonds	International Development Banks	5 Years	A long term rating of AA- plus backing of one or more G7 countries.	£10m	£40m
Money Market Funds, Money Market Plus Funds and Short-Dated Bond Funds	Various Fund Managers, including funds shaped by local authorities acting collectively	Up to 1 month Advice taken from Treasury Advisors	AAAmmf Or AAf	£20m	£120m of which no more than £30m in property funds and no more than £50m in longer dated funds and funds investing in Asset Based Securities
Longer dated Bond Funds and funds investing in Asset Based Securities	Various Fund Managers	Up to 1 month Advice taken from Treasury Advisors	AAf	£10m	
Property Funds	Various Fund Managers	Investments can be sold in market.	Not Applicable	£10m	

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

The credit criteria are based on credit ratings issued by Fitch Ratings but investments are also permitted on the basis of equivalent ratings issued by Moody's Investors Services or Standard and Poor's.

The main commercial customers are lessees, and the financial standing of potential lessees is checked before leases are granted. There is no uniform practice in respect of other customers, but many of these are receiving a service linked to the social aims and objectives of the Council where it would not be practicable to assess the customer's financial standing as a precondition for the provision of that service.

The Council's maximum exposure to credit risk in relation to its investments in commercial institutions (banks and building societies) of £73m as at 31st March 2020 (£92m as at 31st March 2019) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31st March 2020 or subsequently that this was likely to crystallise.

The Council's exposure to credit risk in relation to its investments in other local authorities is £200m (£143m as at 31st March 2019). Such investments are assessed to be virtually risk free.

The Council has recognised credit impairments of £1.5m in 2019/20, based on historical experience and market conditions at 31st March 2020. There were no credit impairments as at 2018-19.

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

The value of the Council's receivables classified as financial instruments on the Balance Sheet as at 31st March 2020 was £16.9m (£16.0m as at 31st March 2019). The following matrix is used for both 2018/19 and 2019/20 to estimate the non-collectible proportion of these receivables.

Age of Receivable	Estimated Non-Collection Rate
Less than One Month	0%
One Month to Three Months	10%
Four Months to Six Months	25%
Seven Months to Nine Months	50%
Ten Months to One Year	75%
One Year to Two Years	80%
Over Two Years	100%

It is estimated that the uncollectable amount on commercial and personal debts outstanding as at 31st March 2020 will be £8.1m (£8.9m as at 31st March 2019) and that the impaired value of these debts are £8.8m (£7.1m as at 31st March 2019).

The following table shows current receivables analysed by age, and the impaired value after allowing for default and non-collectability. The Council does not write off debt from its Balance Sheet until all options for debt collection have been exhausted, a process that often will take a number of years.

	31st March 2019		31st March 2020	
	Due	Impaired Value	Due	Impaired Value
	£000	£000	£000	£000
Less than 3 months	5,807	5,648	6,656	6,430
Three to six months	862	647	1,933	1,450
Six months to one year	1,141	423	1,599	608
More than one year	8,211	409	6,724	265
<b>Total</b>	<b>16,021</b>	<b>7,127</b>	<b>16,912</b>	<b>8,753</b>

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

### b) Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of the principal sums borrowed is as follows:

Time to maturity (years)	31st March 2019 £000	31st March 2020 £000
Not over 1	15,931	39,047
Over 1 but not over 2	5,177	5,065
Over 2 but not over 5	15,682	15,108
Over 5 but not over 10	27,030	24,682
Over 10 but not over 20	45,835	42,557
Over 20 but not over 30	22,740	31,023
Over 30	167,826	165,080
<b>Total</b>	<b>300,221</b>	<b>322,562</b>

The Council has £20m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable. The Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.



## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

### c) Market Risks

#### *Interest Rate Risk*

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “amortised cost” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “Other” will be reflected in Comprehensive Income and Expenditure.

The accounting arrangements for “Lenders Option, Borrowers Option” (LOBO) loans is more complex. These are loans where the lender has a periodic option to propose an increase in the rate of interest payable on the loan and the borrower has the option to decline this increase and to repay. In the event that an increase was accepted the carrying amount of the loan is recalculated and the increase in the carrying amount of the loan will reflect the net present value of the increase in interest payments in future years. The increase in the carrying amount of the loan will be accounted for as an immediate charge to the Comprehensive Income and Expenditure. In simple terms, a relatively small increase in the annual interest payable will be accounted for as a far larger sum once the net present value of all future increases is calculated.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	731
Increase in interest receivable on short term investments	191
Increase in interest payable on variable rate loans	(325)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>597</b>
Decrease in fair value of available for sale financial assets	0
<b>Impact on Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of loans and receivables *	1,339
Decrease in fair value of fixed rate borrowings/liabilities *	59,769

\*No impact on Comprehensive Income and Expenditure

The approximate impact of a 1% fall in interest rates would be as above but with the reverse movement.

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

### c) Market Risks

#### *Price Risk*

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The market price of the Council's property fund investments are determined by the market prices of the underlying property assets owned by the funds. The impact of the 5% fall in value of the property fund value would be a reduction in value of £380k. The Council's intention is to hold these investments over the medium term and not to crystallise these losses by selling.

#### *Foreign Exchange Risk*

The Council has no exposure to foreign exchange risk.

# Supplementary Financial Statements & Explanatory Notes

# Housing Revenue Account

## Housing Revenue Account (HRA) Statements - Income and Expenditure

The Housing Revenue Account (HRA) is a ring-fenced account that represents the Council's social housing service. This service is required by law to be ring-fenced in order to ensure that there is a clear link between rents charged to tenants and expenditure on social housing.

2018/19			2019/20
£000		Note	£000
	<b>Income</b>		
(75,047)	Dwelling Rents	5	(72,938)
(401)	Non-dwelling Rents	6	(391)
(5,520)	Service Charges	6	(5,612)
(1,605)	Contributions & Miscellaneous income		(714)
<b>(82,573)</b>	<b>Total Income</b>		<b>(79,655)</b>
	<b>Expenditure</b>		
12,140	General Management		12,122
12,814	Special Management	3	13,415
29,299	Repairs & Maintenance		29,419
1,080	Rent, Rates, Taxes & Other Charges		1,302
(84)	Increase/ (Decrease) in Bad Debt Provision	4	46
31,229	Depreciation & Impairment of Fixed Assets	12	26,551
60	Debt Management Expenses		60
<b>86,538</b>	<b>Total Expenditure</b>		<b>82,915</b>
710	HRA share of Corporate & Democratic Core		710
<b>4,675</b>	<b>"HRA Comprehensive Income and Expenditure Line"</b>		<b>3,970</b>
<b>4,675</b>	<b>Net Cost of HRA Services</b>		<b>3,970</b>
1,841	(Gain) or Loss on Sale of HRA Assets		3,331
20,301	Loan Charges - Interest		8,739
(259)	Investment Interest		(579)
5,196	Pensions - Interest on Liabilities	14	5,198
(3,462)	Pensions - Expected Return on Assets	14	(3,229)
<b>28,292</b>	<b>(Surplus) / Deficit for the Year</b>		<b>17,430</b>

## Housing Revenue Account (HRA) Statements - Movement in Reserve

2018/19			2019/20
£000		Note	£000
28,292	(Surplus) / Deficit for the Year (from above)		17,430
<u>Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account balance</u>			
(11,466)	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		359
(4,111)	HRA share of contributions to/(from) the Pension Reserve	14	(5,241)
(1,841)	Gain or (Loss) on Sale of HRA Fixed Assets		(3,331)
(31,229)	Depreciation and capital expenditure not adding value for Fixed Assets	12	(26,551)
9,173	Capital Expenditure Financed from Revenue Account	10	2,903
325	HRA Set-Aside (MRP)		355
11,121	Transfers to/(from) the Major Repairs Reserve	13	11,662
(27)	Transfers to/(from) the Employee Benefits Reserve		97
(28,055)	<b>Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance</b>		<b>(19,747)</b>
237	<b>Net (Surplus)/Deficit on the Housing Revenue Account in the year</b>		<b>(2,317)</b>
(30,745)	Balance Brought Forward 1st April 2019		(30,508)
(30,508)	<b>Balance Carried Forward 31st March 2020</b>		<b>(32,825)</b>

# Housing Revenue Account (HRA) Explanatory Notes

## 1. Housing Revenue Account

The rules for the Housing Revenue Account (HRA) are specified within the Local Government and Housing Act 1989. Additionally a suite of self-financing determinations was issued by the Ministry of Housing, Communities and Local Government (MHCLG) in 2012, including the Item 8 Credit and Item 8 Debit determinations which set out the capital accounting and financing entries under the 1989 Act.

These determinations have been made by the Council and the appropriate entries have been made in respect of capital accounting and financing transactions.

## 2. Changes to Accounting Practice

There has been no change in accounting practice.

## 3. Special Management

These include group central heating and hot water schemes, caretaking services, security services to high rise flats, maintenance of shrubberies and grassed areas, communal services, tenancy sustainment for tenants and support for hostel residents.

## 4. Rent Arrears and Provision for Bad Debts

### *Rents and Service Charges*

The bad debt provision for rents and service charges at 31st March 2020 was £0.8m (£0.8m at 31st March 2019). This is calculated on a rent and service charge arrears balance of £3.6m (£2.3m in 2018/19).

## 5. Net Rent Income from Dwellings

	2018/19	2019/20
	£000	£000
Total Rent income from Dwellings	75,047	72,938
Less Housing Benefit	(39,560)	(33,200)
<b>Total</b>	<b>35,487</b>	<b>39,738</b>

## 6. Non -Dwelling Rents and Service Charges

These include the charges made to tenants for district heating, garages, security and cleaning services to flats.

## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 7. Housing Stock

Changes to Housing Stock:

	2018/19	2019/20
Number of Dwellings at 1st April	20,759	20,366
Construction of new dwellings	-	-
Acquisitions	32	184
Right to Buy sales	(424)	(409)
Other Disposals	(1)	1
<b>Number of Dwellings at 31st March</b>	<b>20,366</b>	<b>20,142</b>

### 8. Value of HRA Assets

	31st March 2019	31st March 2020
	£000	£000
Dwellings	950,471	1,001,516
Other Land and Buildings	21,972	20,136
Vehicles, Plant, Furniture & Equipment	371	181
Surplus Assets	358	283
Intangible Assets	542	300
<b>Total</b>	<b>973,714</b>	<b>1,022,416</b>



## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31<sup>st</sup> March 2020 was £2.4bn. At the same date the balance sheet value of council dwellings was £1.0bn. The difference of £1.4bn reflects the fact that social housing rents generate a lower

income stream than could be obtained in the open market. The value placed on operational assets in a commercial environment will reflect the required economic rate of return in relation to the income streams that the assets might be

expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

	31st March 2019	31st March 2020
	£000	£000
Vacant possession values	2,263,017	2,383,539

### 10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2019/20 totalled £43m, financed as follows:

	2018/19	2019/20
	£000	£000
Major Repairs Reserve	11,121	11,662
Use of borrowing	-	13,387
Usable capital receipts	2,178	15,348
Financing from revenue account	9,173	2,903
<b>Total</b>	<b>22,472</b>	<b>43,300</b>

### 11. Capital Disposals

HRA capital disposals in 2019/20 were as follows:

	2018/19		2019/20	
	Total Receipt	Usable/ Retained	Pooled/ Set aside	Total Receipt
	£000	£000	£000	£000
Right to Buy (RTB) sales	18,974	(12,365)	(7,187,144)	(7,199,509)
Non-RTB sales	269	-	-	-
<b>Total</b>	<b>19,243</b>	<b>(12,365)</b>	<b>(7,187,144)</b>	<b>(7,199,509)</b>

## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 12. Depreciation and capital expenditure not adding value for Fixed Assets

A breakdown of the depreciation and capital expenditure not adding value charges are provided in the table below:

To be consistent with the format of the dwellings valuation supplied by the authority's external valuers, the dwellings depreciation charge has been calculated by dividing the buildings element of the valuation (on an 'Existing Use Value – Social Housing' basis) by the residual life of the properties.

	2018/19			2019/20		
	Depreciation	Capital expenditure not adding value	Total	Depreciation	Capital expenditure not adding value	Total
	2018/19 £000	2018/19 £000	2018/19 £000	2019/20 £000	2019/20 £000	2019/20 £000
Dwellings*	9,910	20,074	29,984	10,355	14,047	24,402
Other Land and Buildings	453	34	487	535	419	954
Vehicles, Plant, Furniture & Equipment	520	-	520	528		528
Surplus Assets	2	-	2	2	(43)	(41)
Intangible Assets	236	-	236	242	466	708
<b>Total</b>	<b>11,121</b>	<b>20,108</b>	<b>31,229</b>	<b>11,662</b>	<b>14,889</b>	<b>26,551</b>

## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 13. Use of Major Repairs Reserve

	2018/19	2019/20
	£000	£000
Balance at 1st April	-	-
Depreciation credited	(11,121)	(11,662)
Capital expenditure on land, houses and other property	11,121	11,662
<b>Balance at 31st March</b>	<b>-</b>	<b>-</b>

### 14. HRA Contributions to the Pensions Reserve

This table identifies the total HRA share of contributions to and (from) the pensions reserve and breaks the figure down to show the type of contribution to or (from) the reserve. More detailed information on pensions is provided in note 43 to the core financial statements.

	2018/19	2019/20
	£000	£000
Pension costs incurred in Net Cost of Services:		
Current service cost	(2,377)	(3,272)
	<b>(2,377)</b>	<b>(3,272)</b>
Pension interest cost and expected return on assets:		
Interest on liabilities	(5,197)	(5,198)
Expected return on assets	3,462	3,229
	<b>(1,735)</b>	<b>(1,969)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(4,112)</b>	<b>(5,241)</b>

# Collection Fund Account

## Collection Fund - Income and Expenditure Statement

The Collection Fund is a ring-fenced account that represents the Council's role in collecting Council Tax and Non-Domestic Rates for the City of Leicester. The Council records taxation income in the Collection Fund and then makes distributions to precepting authorities including the Leicestershire Fire and Police authorities as well as to the Council's own General Fund.

2018/19							2019/20		
Council	Business						Council	Business	
Tax	Rates	Total					Tax	Rates	Total
£000	£000	£000		Note			£000	£000	£000
<b>Income</b>									
(130,640)		(130,640)	Council Tax Collectable	2		(138,823)			(138,823)
-	(109,616)	(109,616)	Income from Business Ratepayers				(113,496)		(113,496)
-	(5,918)	(5,918)	Transitional Protection payments - Business Rates				(3,395)		(3,395)
		<b>(246,174)</b>	<b>Total Income</b>						<b>(255,714)</b>
<b>Expenditure</b>									
Precepts and Demands:									
107,948	-	107,948	Leicester City Council	3		114,696			114,696
14,271	-	14,271	Police & Crime Commissioner for Leicestershire			16,495			16,495
4,635	-	4,635	Leicestershire & Rutland Combined Fire Authority			4,924			4,924
		<b>126,854</b>							<b>136,115</b>
Business Rates:									
-	55,943	55,943	Payments to Government	4		-	27,419		27,419
-	1,119	1,119	Payments to Fire			-	1,097		1,097
-	54,824	54,824	Payments to Leicester City Council			-	81,159		81,159
-	489	489	Costs of Collection			-	482		482
		<b>112,375</b>							<b>110,157</b>
1,295	(2,832)	(1,537)	Contributions in respect of previous year's surplus / (deficit)	6		1,704	(7,359)		(5,655)
Bad and Doubtful Debts:									
1,361	2,532	3,893	Write-offs	7		1,366	1,879		3,245
448	(356)	92	Increase / (Reduction) to provision			932	723		1,655
-	6,140	6,140	Increase / (Reduction) to Provision for appeals				1,592		1,592
		<b>247,817</b>	<b>Total Expenditure</b>						<b>247,109</b>
(682)	2,325	1,643	Fund (Surplus) / Deficit for the Year			1,294	(9,899)		(8,605)
(1,356)	5,814	4,458	Fund (Surplus) / Deficit brought forward	5		(2,038)	8,139		6,101
<b>(2,038)</b>	<b>8,139</b>	<b>6,101</b>	<b>FUND BALANCE AS AT 31st MARCH</b>	<b>1</b>		<b>(744)</b>	<b>(1,760)</b>		<b>(2,504)</b>

# Collection Fund Explanatory Notes

## 1. Statutory Requirements & Allocation of Balances

This statement fulfils the statutory requirement for the Council to maintain a separate Collection Fund.

The balance on the collection fund is split between the relevant bodies as shown in the table below:

	2018/19			2019/20		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Leicester City Council	(1,732)	3,988	2,256	(627)	(1,497)	(2,124)
Government	-	4,069	4,069	-	(245)	(245)
Leicestershire & Rutland Combined Fire Authority	(74)	82	8	(27)	(18)	(45)
Police & Crime Commissioner for Leicestershire	(232)	-	(232)	(90)		(90)
<b>Fund Balance Allocations as at 31st March</b>	<b>(2,038)</b>	<b>8,139</b>	<b>6,101</b>	<b>(744)</b>	<b>(1,760)</b>	<b>(2,504)</b>

## Collection Fund Explanatory Notes (continued)

### 2. Council Tax Base

The Council's Tax Base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

The total collectable Council Tax during 2019/20 was £138.8m including arrears from prior years.

The collectable Council Tax specifically for 2019/20 was £163.8m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£23.5m), the average number of Band D dwellings equates to 75,364. This is an increase from the 73,894 dwellings existing when the 2019/20 budget was prepared due to the net effect of the following:

- 1) Changes in discounts and exemptions allowed;
- 2) New properties;
- 3) Lower amounts of local council tax reduction granted than expected, arising from reduced claimant numbers.

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings	Less Band D Equivalent - LCTR Scheme Dwellings	Net Band D Equivalent Dwellings
A-	256	5/9	142	53	89
A	68,907	6/9	45,938	10,264	35,674
B	23,394	7/9	18,195	2,076	16,119
C	13,777	8/9	12,246	991	11,255
D	5,810	9/9	5,810	302	5,508
E	3,162	11/9	3,865	117	3,748
F	1,432	13/9	2,068	42	2,026
G	557	15/9	928	6	922
H	31	18/9	62	0	62
	<b>117,326</b>		<b>89,254</b>	<b>13,851</b>	<b>75,403</b>
Less adjustments for collection rates and other adjustments.					(1,509)
<b>Council Tax Base</b>					<b>73,894</b>

## Collection Fund Explanatory Notes (continued)

### 3. Precepts and Demands

The following sums were paid from the collection fund.

	2018/19 £000	2019/20 £000
Leicester City Council	107,948	114,696
Police & Crime Commissioner for Leicestershire	14,271	16,495
Leicestershire & Rutland Combined Fire Authority	4,635	4,924
<b>Total</b>	<b>126,854</b>	<b>136,115</b>

### 4. Income from Business Rates

Under the arrangements for business rates, the Council collects rates payable in the City, which are based on the rateable values multiplied by a uniform rate. Under the business rates pilot scheme, the total amount less certain reliefs and other deductions is shared between Central Government (25%), Leicestershire Fire Authority (1%) and the Council (74%). The relevant rates are detailed in the tables below:

	31st March 2019 £	31st March 2020 £
<b>Non Domestic Rateable Value</b>	<b>305,093,296</b>	<b>305,198,096</b>

	2018/19	2019/20
Non Domestic Rating Multiplier	49.3p	50.4p
Non Domestic Rating Multiplier- Small Business	48.0p	49.1p



## Collection Fund Explanatory Notes (continued)

### 5. Collection Fund Surpluses & Deficits

The Collection Fund account shows a cumulative surplus of £2,504,479 at 31<sup>st</sup> March 2020 (£6,100,559 deficit at 31<sup>st</sup> March 2019). This has arisen due to increases in rateable value and changes in forecast for loss of business rate appeals.

The deficit arising on the Council Tax during the financial year 2019/20 will be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire & Rutland Combined Fire Authority in proportion to the respective precepts and demands.

Under the 75% Business Rates retention pilot scheme arrangements for 2019/20, the surplus arising on the Business Rates during the financial year 2019/20 will be shared between Leicester City Council (74%), Central Government (25%) and the Leicester, Leicestershire & Rutland Combined Fire Authority (1%).

## Collection Fund Explanatory Notes (continued)

### 6. Contributions to Collection Fund Surpluses & Deficits

#### Share of Surpluses/Deficits

##### Council Tax

Every January, the Authority has to estimate the surplus/deficit for the collection fund at the end of the financial year.

For the Council Tax, this has to be notified to the police commissioner and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Council Tax. This is detailed in the table below.

	City	Police	Fire	Total
	£000	£000	£000	£000
<b>Estimated Surplus – Jan 2019</b>	<b>1,450</b>	<b>192</b>	<b>62</b>	<b>1,704</b>

##### Business Rates

For Business Rates, this is notified to central government and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Business Rates. This is detailed in the table below.

	City	Government	Fire	Total
	£000	£000	£000	£000
<b>Estimated Deficit – Jan 2019</b>	<b>3,606</b>	<b>3,679</b>	<b>74</b>	<b>7,359</b>

## Collection Fund Explanatory Notes (continued)

### 7. Bad and Doubtful Debts

This table provides more detail on the bad debt write-offs and the increase in the provision for bad and doubtful debts.

Provisions	Bad Debt Provision			
	Balance at	Increase/	Balance at	Bad Debt
	1st April 2019	(Decrease)	31st March 2020	Write-offs In
	£000	£000	£000	year
Council Tax	7,089	932	8,021	1,366
NNDR	4,036	723	4,759	1,879
<b>Total</b>	<b>11,125</b>	<b>1,655</b>	<b>12,780</b>	<b>3,245</b>

# Annual Governance Statement

# Leicester City Council Annual Governance Statement 2019-20

## 1. Introduction

The Council is committed to good corporate governance and complies with the CIPFA/SOLACE “Delivering Good Governance Framework” (2016). The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people

This statement is produced in fulfilment of the requirements under the Accounts and Audit Regulations, 2015, to prepare an annual governance statement.

## 2. The Arrangements

The Council works within the governance arrangements summarised in Appendix 1, and has an approved Local Code of Corporate Governance. The following describes how the Council meets the requirements of good governance through the core principles, systems, policies and procedures it has in place. Appendix 2 demonstrates how this has been assessed to inform the Annual Governance Statement.

### We have the following codes and rules:

- Constitution
- Financial Procedure Rules
- Code of Conduct for Members
- Code of Conduct for Employees
- Anti-fraud, Bribery and Corruption Policy
- Whistleblowing Policy
- Information Governance & Risk Policy

### The City Mayor has set out a strategic vision containing a number of key pledges which relate to:

- A Fair City
- Homes for All
- Connecting Leicester
- Sustainable Leicester
- Health & Care
- Lifelong Learning
- A City to Enjoy
- A Safe and Inclusive Leicester

### The key pledges are supported by the following key plans:

- Economic Action Plan
- Local Transport Plan (and sub plans)
- Joint Health & Wellbeing Plan
- Tourism Action Plan
- St George’s Cultural Quarter Action Plan
- Sustainability Action Plan
- Children’s Improvement Plan
- Heritage Action Plan
- Homelessness Strategy
- Air Quality Action Plan
- Flood Risk Management Strategy
- Departmental performance targets
- Budget Strategy
- Corporate Risk Management Strategy
- Local Plan
- Biodiversity Action Plan

### We demonstrate good practice and ensure accountability through:

- External Audit
- Annual Financial Statements
- Annual Governance Statement
- Open Council & committee meetings with published minutes
- Compliance with CIPFA codes of Practices
- Scrutiny Committees
- Standards Committee

## Leicester City Council Annual Governance Statement 2019-20 (continued)

### 2. The Arrangements (continued)

#### We show openness and engagement through the following:

- Open Council & committee meetings with published minutes
- Published Executive decisions
- Scrutiny of Executive projects through committees
- Call in periods for Executive decisions
- Public engagement through consultation, representations and petitions
- Use of social media and engagement with the press and media
- Publication of Freedom of Information Act responses and transparency data

#### We are supported by:

- Democratic Services including Member and Civic Support Services, who also support member development
- An Organisational Development Team, who facilitate effective development of employees
- A Communications function which includes PR, Media and Digital Media Teams
- A staff intranet and established internal communication channels, which provide

guidance to staff

- Partnership working on key priorities
- An Information Assurance Team to support our data policies
- Specialist teams offering professional advice, for example Legal, Procurement, IT and Finance

#### We review processes and delivery throughout the year supported by:

- Internal Audit
- External Audit
- Information Governance
- Audit and Risk Committee
- Regular reporting of capital and revenue spending during a year
- Annual review of the Local Code of Corporate Governance
- Annual review of the Assurance Framework

Additional information on many of the areas detailed above can be found on the Council's website;

[www.leicester.gov.uk](http://www.leicester.gov.uk)

### 3. Review of Effectiveness

The Council's review of processes enables the identification of any areas of the Council's activities where there are significant weaknesses in financial controls, governance arrangements or the management of risk. Overall, from this year's work, it can be concluded that controls are operationally sound and that the Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government'. This has been supported by the internal audit opinion which stated:

**"The HoIAS will conclude Leicester City Council's control environment (its framework of governance, risk management and control) is overall adequate and effective."**

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. We cannot eliminate all risk of failure to achieve policies, aims and objectives however the above controls provide reasonable but not absolute assurance of effectiveness.

## Leicester City Council Annual Governance Statement 2019-20 (continued)

Areas of significant risk or priorities for action have been identified and are detailed in the tables, together with an update of the issues identified last year.

### Issues Identified in 2018/19

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Action taken to Date
<b>Medium Term Financial Strategy</b> – Like all local authorities, the Council's financial viability is a key concern at a time of deep funding cuts and growth in the costs of providing social care. The future funding for the Council beyond 2019/20 is still uncertain. Further to this the Government is yet to set out a plan to manage the pressures within Children's and Adult Social Care.	A balanced budget has been agreed for 2020/21. However, the Covid-19 pandemic has challenged a number of underlying assumptions on which it is based. The impacts of Covid-19 are being closely monitored and the Council believes it has sufficient financial resilience to enable it to live within its resources
<b>2015 OFSTED Inspection</b> - an inspection of Services for Children in Need of Help and Protection, Children Looked After, and Care Leavers graded Leicester's children's services as inadequate. A follow up inspection took place in 2017 which rated the authority as requiring improvement.	<p>Following the last judgement inspection in 2017 we have in place:</p> <ol style="list-style-type: none"> <li>1. An independently chaired Improvement Board supported by an independent consultant who offers focused audits and reviews as directed by the Board.</li> <li>2. An Improvement Plan, that addresses the 11 recommendations of that inspection</li> </ol> <p>We had a Focused Visit in January 2019 which showed positive steps forward in our improvement journey.</p> <p>Two subsequent Annual conversations have taken place with Ofsted where continued improvement has been noted.</p> <p>We had expected a local authority children's services (ILACS) judgement Inspection this Autumn, however we expect that due to COVID-19 this is now likely to take place 2021</p>

## Leicester City Council Annual Governance Statement 2019-20 (continued)

Areas of significant risk or priorities for action have been identified and are detailed in the tables, together with an update of the issues identified last year.

### Issues Identified in 2018/19 Continued

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Action taken to Date
<b>EU exit particularly in the event of no-deal being reached.</b>	The UK has exited the EU, but the Council continues to monitor the possible impact of subsequent negotiations.
<b>Cybersecurity</b> – the potential for loss or compromise of IT systems and/or associated data through cyber security attacks.	<p>The Council will continue to ensure close monitoring of existing perimeter and internal security protection.</p> <p>However, during the year there has been a further implementations of audit recommendations reducing the level of risk.</p>
<b>SEND</b>	<p>A Joint Area Review (Care Quality Commission and Ofsted) was undertaken in May 2018 of Leicester's partnership and working arrangements across Special Educational Needs (SEND) provisions. The outcome was that there were areas of weakness (including strategic oversight; quality of Education, Health and Care Plans / EHCPs) but areas of good practice identified. As a result of the Area Review the Council and its partners (health) were required to submit a Written Statement of Action (WSOA) which was signed off by Ofsted/CQC in September 2018. The new SEND Improvement Board has oversight of the WSOA and has standing representation from statutory partners, education community and parent/ carer representation.</p> <p>The WSOA has continued to be delivered with oversight from the SEND Improvement Board. We were anticipating a revisit from Ofsted in April 2020 but this has been delayed because of COVID 19. It is likely to now take place in the Autumn of 2020.</p>



## Leicester City Council Annual Governance Statement 2019-20 (continued)

Areas of significant risk or priorities for action have been identified and are detailed in the tables, along with an update of the issues identified last year.

### Issues Identified in 2019/20

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Planned Action:
<b>Medium Term Financial Strategy</b> - Like all local authorities, the Council's financial viability is a key concern. In addition to growing social care pressures and the absence of Government spending plans beyond 20/21, we will also need to plan for permanent changes in the way we provide services as a consequence of the Covid pandemic	The Council is monitoring the impact of Covid-19 closely and will review its approach to future budgets.
<b>Covid-19 Pandemic</b> – like all local authorities, the Council has been affected by the pandemic in various ways, including: <ul style="list-style-type: none"> <li>• Providing additional services to support the city during the pandemic.</li> <li>• Assessing the long-term impact of the pandemic on the local economy.</li> <li>• In year and future financial impacts.</li> </ul> Maintaining good governance and effective scrutiny nonetheless remains essential.	The Council has and will: <ul style="list-style-type: none"> <li>• work with local communities to ensure the services being delivered support the most vulnerable in our community.</li> <li>• assist local business to get support, including grant schemes managed by the Council.</li> <li>• ensure that flexible working remains subject to proper financial controls and good governance.</li> </ul> This work will continue to be reported to scrutiny committees.

4. Conclusion

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

The Council had the following governance arrangements in place during 2019/20.

## SUMMARY OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

### Mayor, Executive and Council

- Provide leadership, develop and set policy
- Key risks are considered by the Executive quarterly

### Decision making

- Decisions are recorded on the Council's website
- There is a period of grace in which decisions are open to review

### Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by Corporate Management Team quarterly

### Scrutiny and review

- Scrutiny committees review Council policy and can challenge decisions
- Audit and Risk Committee approves the annual accounts and reviews policies & procedures that ensure good governance of the Council. It also approves the Internal Audit Annual Report and opinion

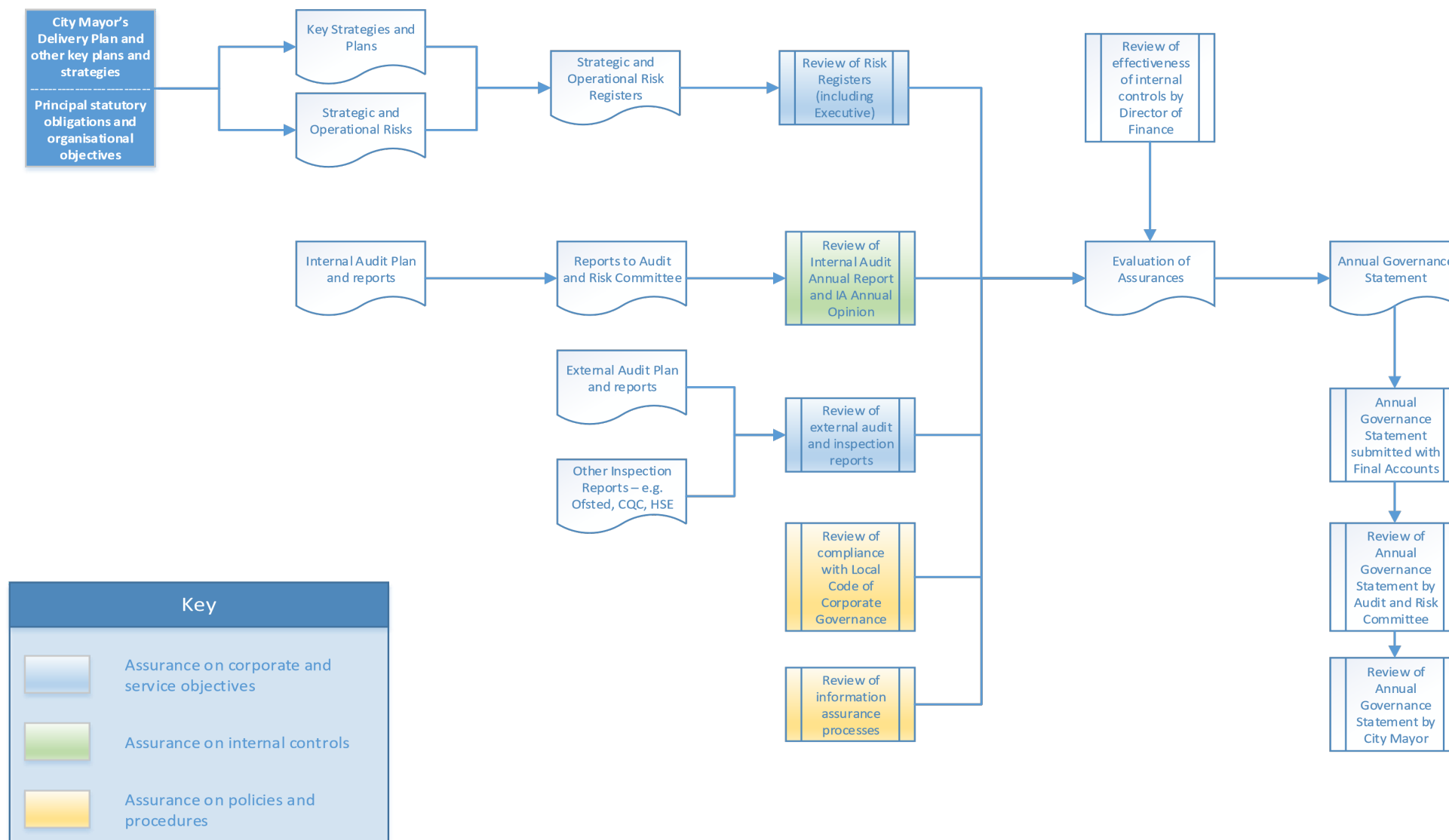
### Corporate Management Team (CMT)

- Provides service level management and interface with the political leadership
- Head of Paid Service is the Chief Operating Officer, who is responsible for all Council staff and for leading an effective CMT
- Director of Finance is the s.151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money
- Monitoring Officer is the City Barrister & Head of Standards who is responsible for ensuring legality and promoting high standards of public conduct
- CMT includes all strategic and divisional directors

## Leicester City Council Annual Governance Statement 2019-20 (continued)

## Appendix 2

The following diagram, shows how the Council has assessed its governance arrangements to inform the Annual Governance Statement



# Glossary

# Glossary

This Glossary explains terms that may be encountered in discussion of Local Government finance. Definitions are intended to assist a general audience, rather than reflecting exactly the technical sense in which the terms are used.

## Academies

Publicly funded schools, independent of Local Authority control, held accountable directly to the Government.

## Accountable Body

An accountable body is an organisation which takes financial responsibility for the management of funds which comprise of contributions from multiple organisations; the fund itself is not a legal entity.

## Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Accounting policies do not include estimation techniques.

## Accruals

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## Actuarial Basis

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

## Amortisation

The reduction in an amount carried on the Balance Sheet by the regular debiting or crediting to an Income and Expenditure Account.

## Appropriation

The process of transferring balances from revenue to reserves and vice versa.

## Asset

A resource controlled by the authority, as a result of past events and from which future economic benefits are expected to flow to the authority.

## Assets Held for Sale

These are assets which are very likely to be sold within 12 months of the balance sheet date. They are therefore classified as Current Assets.

## Audit of Financial Statements

An audit is an examination by an independent expert of the authority's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

## Balance Sheet

The Balance Sheet shows the assets and liabilities of the Authority.

## Bonds

Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

## Budget

The financial plan reflecting the Council's policies and priorities over a period of time.

## Capital Expenditure

Expenditure on the purchase, construction or enhancement of major items which have a lasting value to the authority.

## Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

## Glossary (continued)

### Capital Financing Requirement

Reflects the authority's level of debt relating to capital expenditure.

### Capital Programme

The capital schemes the Authority intends to carry out over a specified time period.

### Capital Receipts

Money the Council receives from selling assets (buildings, land etc.). Capital receipts from the sale of housing assets cannot be used entirely to fund new capital expenditure; a proportion must be paid to government.

### CIPFA (Chartered Institute of Public Finance and Accountancy)

The principal accountancy body dealing with local government finance.

### Code of Practice on Local Authority Accounting (The Code)

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.

### Collection Fund

A separate fund recording the expenditure and income relating to Council Tax and NNDR.

### Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful lives and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### Community Schools

Schools which the Council run, employ the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).

### Comprehensive Income and Expenditure Statement

This Statement reports the net cost of all services and functions for which the authority is responsible.

### Contingent Liabilities

Liabilities which may or may not occur in the future. They often depend on future events for which the outcome cannot be predicted. Due to their uncertainty they do not appear in the balance sheet.

### Council

The Council comprises the City Mayor and all elected Councillors who represent the various electoral divisions.

### Council Tax

This is a tax, which is levied on the broad capital

value of domestic properties, and charged to the resident or owner of the property.

### Council Tax Base

This is a figure that expresses the total band D equivalent properties. The amount to be funded by Council Tax is divided by this, and charges for all other bands of property are based on this charge.

### Council Tax Precept

The amount of income due to Leicestershire Police Authority and Leicester, Leicestershire and Rutland Combined Fire Authority from the Council, who are responsible for billing Council Tax.

### Creditors

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made by the end of the financial year.

### Debits and Credits

A debit represents expenditure against an account and a credit represents income to an account.

## Glossary (continued)

### Debtors

Amounts due to the Council but unpaid at the end of the financial year.

### Dedicated Schools Grant

A ring-fenced grant from the government that has to be used to fund the delegated budget of each school, together with certain items of related central expenditure.

### Deficit

Arises when expenditure exceeds income or when expenditure exceeds available budget.

### Depreciation

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (i.e. wear and tear).

### Direct Revenue Financing

The cost of capital projects that is charged against revenue budgets.

### Equities

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

### Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources by the Council in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

### 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

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### Financial Instruments

Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial Reporting Standards (FRSs)

Statements prepared by the Financial Reporting Council. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

### General Fund

The Council's main revenue account, covering the net cost of all services other than Council housing.

### Going Concern

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

### Government Grants

Payment by Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

### Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.



## Glossary (continued)

### Housing Revenue Account (HRA)

A separate account to the General Fund which includes the expenditure and income arising with the provision of housing accommodation by the Council. The HRA is ring-fenced: no cross subsidy is allowed between the HRA and the General Fund in either direction.

### Impairment Loss

A material reduction in the value of fixed assets outside the normal periodic revaluations.

### Internal Audit

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation.

### International Financial Reporting Standards (IFRSs)

These are guidelines for the production of financial statements. Many of these now apply to local authorities and departure from these must be disclosed in the published accounts.

### International Financial Reporting Interpretations Committee (IFRIC)

Aims to provide guidance on newly identified financial reporting issues not specifically dealt with in IFRSs.

### Inventories

Comprises; goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion, long term contract balances and finished goods.

### Investments

An asset which is purchased with a view to making money by providing income, capital appreciation or both.

### Joint Venture

An organisation for which the Council has partial control and ownership, but decisions require the consent of all participants.

### Leasing

A method of financing the acquisition of assets, notably equipment, vehicles and plant. This is normally for an agreed period of time, up to several years.

### Liabilities

An obligation to transfer economic benefits. Current liabilities are payable within one year.

### LOBO Loans

Lender Option, Borrower Option loans. This is a loan in which the lender can, at a predetermined

time, request to change the interest rate at which the loan is being charged. If the borrower does not agree to the rate change, the borrower then has the option to repay the loan.

### Local Council Tax Reduction Scheme

System of granting means-tested Council Tax discounts and exemptions depending on personal taxpayer circumstances.

### Long Term Borrowing

Loans raised to finance capital spending which have to be repaid over a period in excess of one year from the date of the accounts.

### Materiality

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

### Minimum Revenue Provision (MRP)

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

## Glossary (continued)

### Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that be applied to fund expenditure or reduce local taxation) and other reserves.

### National Non-Domestic Rate (NNDR)

Represents the rate of taxation on business properties. Central Government have the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax. Income is shared between Central Government, the Council and Leicestershire Fire authority.

### Net Book Value

The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

### Net Expenditure / Net Cost of Service

The actual cost of a service to an organisation after taking account of all income charged for services provided.

### Non-Current Assets

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### Operating Lease

A lease where an asset is used only for a small proportion of its economic life.

### Operational Assets

Fixed assets held and occupied in the pursuit of strategic or service objectives.

### Outflow

This represents cash going out of the Council.

### Precept

An amount charged by another authority to the Council's Collection Fund. There are two preceptors on Leicester's collection fund: the Police and Crime Commissioner and the Leicestershire & Rutland Combined Fire Authority.

### Prior Period Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

### Private Finance Initiative (PFI)

An initiative for utilising private sector funding to provide public sector assets.

### Provision

An amount of money set aside in the budget to meet liabilities that are likely or certain to arise in the future, but which cannot be quantified with certainty.

### Public Works Loan Board (PWLb)

A government agency providing long and short-term loans to local authorities. Interest rates are generally lower than the private sector, and slightly higher than the rates at which the Government may borrow.

### Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

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 Date: **{TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}**

Grant Thornton UK LLP  
 Colmore Building  
 20 Colmore Circus  
 Birmingham  
 B4 6AT

Dear Sirs

**Leicester City Council**  
**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Leicester City Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the

preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the considered the unadjusted misstatements schedule included in your Audit Findings Report in respect of:
  - a. other land and buildings that were not subject to revaluation as at 31 March 2020,
  - b. the failure to process a small number of valuations within the the valuer's certificates in the fixed asset register, and
  - c. other valuation errors within the other land and buildings balance.

We have not adjusted the financial statements for these matters brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 6 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We 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.
- xvi. The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and travel restrictions have been implemented by many countries.

As a consequence economic activity is being impacted in many sectors. As at the valuation

date, our independent valuers have stated that they consider that they can attach less weight to previous market evidence and published build cost information for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

The Council's valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation of the Council's land and buildings than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, the valuers recommend that the Council keeps the valuation of its properties under frequent review.

For avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is included in order to be clear and transparent, that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

### Information Provided

- xvii. We have provided you with:
  - a. 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 matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

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

**Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Risk Committee at its meeting on 24 November 2020.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

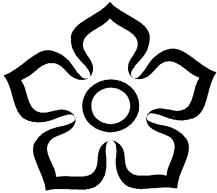
Position.....

Date.....

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**LEICESTER CITY COUNCIL**  
3<sup>rd</sup> Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ  
[www.leicester.gov.uk](http://www.leicester.gov.uk)





Leicester  
City Council

WARDS AFFECTED:

Audit and Risk Committee - Note

25<sup>th</sup> November 2020

## THE IMPACT OF BREXIT ON LEICESTER CITY COUNCIL

### Report of the Chief Operating Officer (COO)/Director of Delivery, Communications and Political Governance

#### 1. Purpose of the Report

- 1.1 To present to Audit and Risk Committee (A&RC) the findings of the impact/risk analysis carried out on Brexit by Leicester City Council (LCC) Officers. The initial assessment was carried out in January 2019. At the time of the assessment, the possible immediate impacts and short-term risks to LCC and on its services were considered and the purpose was to set out for debate the likely short-term impact/risks of a no deal scenario to LCC. This has continued to then be used as a framework to keep those risks and impacts under review through the transition period during 2020 and as the end of that period approaches and in light of any potential deal or equally lack of agreement. Refer to:

- **Appendix 1**, the findings produced utilising the corporate risk assessment methodology.

#### 2. Recommendations

##### **2.1 A&RC is asked to:**

- Note the updated findings of the Brexit impact/risk analysis (**Appendix 1**) **discussed in section 4**, the possible impact of a no deal Brexit scenario to the city council key areas;
- Note actions being taken by officers with each impact/risk identified;
- Make any comments to the COO/Director of Delivery, Communications and Political Governance.

#### 3. Background and Methodology

- 3.1 The analysis attempts to identify the key areas which could be impacted by Brexit. The key categories proposed for consideration were:

- **Law and legislation** – including the future review of UK laws of EU origin to consider their ‘real world impact’ and which may also lead to new legislative freedoms and flexibilities for councils;

- **Procurement/contracts** - there may only be minor procedural changes in the short term, even in the case of a no deal but there could be risks in relation to supply chains which impact on contract delivery;
- **Economy** – impacts in terms of interest rates/inflation/local economy;
- **Funding streams/financial** – including council services that are currently funded in part/in whole by EU funding;
- **Changes in workforce** - leaving the EU represents the possibility of a direct impact on both the local government workforce and the wider national workforce;
- **Community cohesion/service demand** – requirements of citizens in terms of advice and support and the consequent impact on services such as advice services, benefit and general support entitlement, housing, school admissions, as well as the potential for Brexit outcomes to create division between communities.

3.2 **Appendix 1 (Brexit Impact Assessment)** provides detailed information on the above-mentioned areas and proposed considerations within each category.

3.3 The uncertainty surrounding Brexit meant that initial assessments were based on a current position judgement which has been monitored and amended as further information or other priorities and issues have emerged during the transition period in 2020. For the updated assessment, risk owners were asked to monitor, update and report the key impact/risks identified using the LCC's risk management methodology. In addition, officers were asked to identify management actions that are currently/will be undertaken to minimise/mitigate the impact/risk based on the likelihood of occurrence.

## 4. Report

4.1 **Appendix 1 (Brexit Impact Assessment)** provides the findings for each category mentioned in section 3 in detail based on the most recent review and update. Key impacts/risks were identified for LCC officers to assess using the corporate risk assessment methodology. These were scored and officers provided proposed management actions to mitigate/manage the impact and prepare for such eventualities. The table below provides snapshot of the number of high, medium and low impacts/risks under each category at the current time.

Brexit risk/Impact analysis category	No of High/Medium/Low risk
Law and Legislation	2 High 1 Medium 2 Low
Procurement/Contracts	1 High 1 Medium 1 Low
Economy	3 High 2 Medium 3 Low
Funding Streams	2 Low
Changes in workforce	3 Medium 3 Low
Community cohesion/service demand	11 Low
Business Continuity	1 Medium 7 Low

4.2 Such impacts/risks, due to them being **high**, require regular monitoring and possibly further actions to be implemented.

4.3 The below matrix provides an indicator of the status of the impacts/risk identified as part of this process in terms of likelihood and impact.

Almost Certain	5		6	3,7		
Probable / Likely	4		8,15,16, 30,31, 32	41	2,9,10, 11	
Possible	3		1,5 17,20, 33,34,35	4,13, 14,19, 23	24	
Unlikely	2		22,25, 26,28,29 36,37, 38,40,43	18,27 39		
Very unlikely Rare	1	12	21,42			
		1	2	3	4	5
		Insignificant/ Negligible	Minor	Moderate	Major	Critical / Catastrophic

- 4.4 Those impacts/risks in the **red quadrant require regular reviewing/monitoring** and consideration for further controls where appropriate as well as escalation. Those in the **yellow also require regular reviewing and monitoring** to ensure they do not escalate to a red risk.
- 4.5 These findings are used as working documents for ongoing assessment to ensure that changes in Brexit are reviewed, monitored and communicated accordingly. Directors are reminded to monitor changes and inform of these impacts/risks as part of their wider risk reporting.
- 4.6 In addition to oversight and management of the risks and impacts which may be specific to Leicester City Council, the Local Resilience Forum has been identifying and considering wider possible risks and mitigations for Leicester, Leicestershire and Rutland including the impacts relating specifically to East Midlands Airport. The Forum has similarly maintained an active oversight of such risks and impacts and already has a range of plans in place for managing incidents which if necessary, would be enacted. Currently the ongoing Strategic and Tactical Co-ordinating Groups of the Local Resilience Forum are meeting regularly in terms of the Covid-19 response but their agendas also include consideration of Brexit as an ongoing key area particularly given the approaching end of the transition period.

## **5. Financial, Legal and Equalities Implications**

### **5.1 Financial Implications**

The financial implications of Brexit on the Council and the wider city are potentially wide ranging and cannot be quantified financially.

**Colin Sharpe, Deputy Director of Finance – 37 4081**

### **5.2 Legal Implications**

‘There are no direct legal implications arising from this report’

**Kamal Adatia, City Barrister – 37 1401**

### **5.3 Equalities Implications**

There are no equalities implications arising directly from the recommendations of the report. However, the assessment covers some risks which would have an impact on people from protected groups, for example the potential for division between communities and the risk around availability of labour supply in the care sector. The assessment identifies ways in which the risks will be managed and there is a commitment to continue to ensure that changes in Brexit are reviewed, monitored and communicated accordingly. This approach will help to mitigate the likelihood or severity of any potential negative equalities impacts arising.

**Hannah Watkins, Equalities Manager – 37 5811**

## 5.4 Climate Implications

There are no significant implications directly related to this report. Within the report however, it should be noted that a number of the risks identified relate directly to the Climate Emergency and potential concerns around work to tackle it. This includes issues around waste, loss of EU funding streams, disruption to transport and wider concerns around economic impacts and loss of council funding.

**Aidan Davis, Sustainability Officer – 37 2284**

## 6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Risk Management	Yes	All of the paper.

## 7. Report Authors

Sonal Devani – Manager, Risk Management, REBR – 37 1635  
28 October 2020



Version 7: 06th October 2020								
	Brexit risk/impact analysis							
Risk No:	Risk	Impact (A)	Likelihood (B)	Risk Score (A x B)	Priority	Risk Owner	Management Actions	Target Date
Law and Legislation								
1	Data /Information Sharing	2	3	6	Low	Kamal Adatia	UK will not be able to apply to the EU for an adequacy decision for personal data transfers until it actually leaves the EU and it could then take several months to obtain adequacy. There are some risks that mean adequacy may not be obtained at all or challenged through the courts. Transfer of personal data from the EU to the UK could be affected. Operationally this could potentially be managed with alternative ways of transfer such as consent, model contract clauses etc. The UK Government's Brexit position paper said each organisation must find its own solution. It will probably only impact service areas that liaise with EU countries on service users' data e.g. social care, law enforcement. IG team to liaise with service areas to establish which may be affected and look at alternatives should it appear that they are needed. Increasing risk of a no deal Brexit and lack of an adequacy decision to date from the EU has increased the likelihood of this risk. It is difficult to plan for 1st January until it is known if there will be a deal (possibly end of October) or adequacy decision (unknown date). Staff to continue discussing alternative arrangements for data affected hosted in EU with providers e.g. move data to UK servers, amend contracts to include standard contractual clauses.	31/12/20 and ongoing
2	Change to waste export rules. May increase costs to contractor and may reduce recycling and composting rate.	4	4	16	High	John Leach	Monitor legislative changes.	31/12/20 and ongoing
3	Increased scrutiny relating to State Aid changes	3	5	15	High	Kamal Adatia	If we exit with no deal the Competition and Markets Authority become regulator of State Aid immediately, draft legislation is before parliament. If we exit with a deal this will occur following the transition period (Dec 2020). It will be obligated to investigate all complaints. Currently there is no national body who has this power, it will lead to far greater internal scrutiny at a more detailed level as the Commission cover EU wide, the CMA will look at the UK only. CMA will likely be given powers enabling it to make recovery orders for incompatible aid. It remains to be seen, however, whether such orders will be directed at the governmental agency that granted the aid (in which case the prevalence of clawback provisions is likely to continue) or directly to the beneficiary of the aid. A statutory basis is likely to see there being obligations on the LA to recover all state aid and also to repay, therefore there will be greater risk to the LA in state aid terms and State Aid will become a far greater risk for the Council in terms of likelihood of complaint, direct impact and outcome.	31/12/20 and ongoing
4	Changes to marriage legislation result in increased demand on the Registration Service over and above additional pressures on the service from Covid-19	3	3	9	Medium	Kamal Adatia / Bharti Desai	Potential change to marriage legislation (Immigration & Asylum Act) could result in all non-British nationals giving notice of intention to marry at 'designated' offices (of which Leicester is one) rather than their 'local' office. We would need to manage public expectation and press coverage. Important to focus on providing service to City residents. Dependent on political will this could extend to County residents. Since non-Brits would have option of attending other designated offices (i.e. elsewhere in the Country) the above action would mitigate.	31/12/20 and ongoing
5	Scheme of Authorisation of Regulatory Officers.	2	3	6	Low	Kamal Adatia/John Leach	Update Regulatory Services Scheme of Authorisation in line with UK legislation.	31/12/20 and ongoing
Procurement/Contracts								
6	Contracts: e.g. loss of access to shared European IT systems.	2	5	10	Medium	Alison Greenhill / Kamal Adatia	Some of our providers store our data in EU countries and once outside of the EEA we can continue to store in the EEA but would we want to? If not we would need to vary all our contracts to now store it outside the EEA if our access rights are diminished. Increasing risk of a no deal Brexit and lack of an adequacy decision to date from the EU has increased the likelihood of this risk. It is difficult to plan for 1st January until it is known if there will be a deal (possibly end of October) or adequacy decision (unknown date). Staff to continue discussing alternative arrangements for data affected hosted in EU with providers e.g. move data to UK servers, amend contracts to include standard contractual clauses.	31/12/20 and ongoing
7	Impact on cost of contracted goods and services due to economic uncertainty, tariffs etc. where supply chains rely on cross-border working.	3	5	15	High	Kamal Adatia	Need Brexit "trigger" clauses e.g. right to change pricing, renegotiate or terminate. Increase or decreased costs are difficult to re-negotiate on present contracts but we could have a planned variation which complies with Reg 72 (1) to cover impact of customs clearance processes or "passporting" of certain professionals. Consider application of this approach where relevant. Note this can only be achieved with the cooperation of the other contractual party, so is by no means easy.	31/12/20 and ongoing
8	Changes to procurement rules and implementation of systems for working outside of the EU hinder procurement practice or require changes to policies/procedures.	2	4	8	Low	Kamal Adatia	Maintain watching brief on changes to rules/systems. These are expected to be minor and operational in the short term with minimal impact. Maintain dialogue with eTendering system provider who will need to integrate with new system (that will replace OJEU/TED). Longer term impact could be positive if de-regulation leads to greater ability to favour local suppliers and social value. Ensure procurement rules and procedures are flexible enough to benefit from such changes if they arise.	31/12/20 and ongoing
Economy								
9	Impact on local government funding.	4	4	16	High	Mike Dalzell / Andrew Smith	If BREXIT weakens economic growth and tax take then will generate further pressure on public finances at a time when Covid-19 has already created significant impacts on the economy and placed pressure on public finances. Failure to deliver key infrastructure for growth through loss of grants will undermine investor confidence. Need to lobby gov't with LLEP and key partners to maximise use of future resource streams such as UK Prosperity fund which is intended to replace EIU structural funds.	31/12/20 and ongoing
10	Economic uncertainty and growth impact on people's finances.	4	4	16	High	Mike Dalzell	If BREXIT results in slower economic growth it may impact employment rates and wages - this will heighten the significant economic impacts arising as a result of the Covid-19 pandemic. Need to work closely with DWP, local charities etc, East Midlands Chamber and LLEP to monitor trends, identify and engage with high risk businesses, gain intelligence, provide information as appropriate.	31/12/20 and ongoing
11	Relocation of foreign owned businesses and impact on labour market e.g. job losses.	4	4	16	High	Mike Dalzell	Strong evidence that some businesses are delaying investment until they know what BREXIT will mean and how it will work. Will particularly impact those sectors with multi channel international supply chains. Work closely with East Midlands Chamber and LLEP to engage with business, gain intelligence and encourage BREXIT planning. A new Key Account Management project has been set up with DIT support to enable proactive contact and communication with foreign owned business in the city and county.	31/12/20 and ongoing
12	British nationals relocating to the UK.	1	1	1	Low	Mike Dalzell	Difficult to predict with any certainty but intuitively and from evidence to date it seems unlikely that BREXIT creates a rationale for people to go back to the UK in large numbers. See also 22 below	31/12/20 and ongoing
13	Uncertainty, and lack of confidence in the property market, leading to delayed investment decisions and potential stalling of regeneration sites.	3	3	9	Medium	Andrew Smith/ Matthew Wallace/Mike Dalzell	Monitor market conditions closely. Continue to provide good support for potential regeneration schemes to maintain confidence. Support through planning process. Support from Director Inward Investment. To date the investment pipeline is holding well and major schemes have progressed (Freeman's Common / Space Park / Tiger's Hotel / Gresham etc).	31/12/20 and ongoing

	Brexit risk/impact analysis							
Risk No:	Risk	Impact (A)	Likelihood (B)	Risk Score (A x B)	Priority	Risk Owner	Management Actions	Target Date
14	Potential lack of confidence in economy, impacts on the housing market, with a consequence of falling house prices delaying the disposal of land at Ashton Green and other council property and the delivery of new homes resulting in loss of New Homes Bonus.	3	3	9	Medium	Andrew Smith/ Matthew Wallace	Monitor market conditions closely. Continue to provide required infrastructure to pump prime development and maintain confidence. Support through planning process.	31/12/20 and ongoing
15	Increased demand for 'Export Health Certificates' from local food manufacturers.	2	4	8	Low	Nicola Preston/Dave Howard	Monitor the demand Quarterly review of capacity to provide this service particularly in light of current additional demands on the service arising from Covid-19 pandemic.	31/12/20 and ongoing
16	Creative and digital industries, such as broadcasting, creative content production, data protection and e-commerce, are key drivers in urban economic regeneration. Outside of the Digital Single Market, digital exports from the UK are at serious risk. Creative industries will struggle to recruit sufficient skilled coders, graphic designers, digital animators to grow. There is a significant risk of a loss of local talent to Europe (digital skills are very portable). With foods, medicines and logistics prioritised in UK emergency planning, digital services might be overlooked.	2	4	8	Low	Kieran O'Hea	Adopt and operationalise Smart Leicester Strategy by end of the year.  Accelerate support for digital infrastructure, data literacy, creative industries and innovation in Leicester to mitigate impacts of Brexit, including encouraging graduates to remain in Leicester to build up local digital skills base and economic resilience.  Raise digital and smart up the agenda via regional bodies (LLEP, LRF, Midlands Engine, etc) in order to pressure government to prioritise digital services in its post-Brexit negotiations with the EU. Response to Covid-19 pandemic has helped to highlight the important role of digital/technology and data which should help increase profile and focus on those industries	31/12/20 and ongoing
Funding streams/financial								
17	Loss of EU ERDF and ESF funding.	2	3	6	Low	Mike Dalzell / Andrew Smith/Alison Greenhill/Kamal Adatia	Economic Development EU funds now largely committed. Low carbon transport funding confirmed - loss of funds would undermine. Replacement UK Prosperity Fund pending. No great clarity yet on total resource and how that will operate and what the criteria will be though quite likely linked to the productivity / Industrial Strategy themes. New funds may be less bureaucratic if treated like local growth fund etc. Need to lobby gov't with LLEP and key partners to maximise use of future UK Prosperity fund. Onward funding agreements (where EU funds are passed to third parties via a grant) have built in the ability to refuse payment where the Council is not in receipt of the funding, this will minimise risk as there will be little legal obligation to pay grants. In terms of where services are procured however we will have contractual commitments and these will need to be met regardless.	31/12/20 and ongoing
18	Potential impacts on liquidity caused by short-term disruption to payments arising from Brexit impacts within the money markets	3	2	8	Low	Alison Greenhill	A disorderly Brexit will cause short term disruption to the markets. There are many moving parts which all need to function and it is conceivable that payments could be disrupted, particularly when this involves processes and transactions outside the UK. This is a liquidity risk rather than a security of investment risk. We will ensure we have capacity within UK domiciled money market funds (MMF) to provide liquidity (withdraw funds) and to receive surplus funds (add funds). We will approach Brexit with invested funds of 50% of the maximum set by our lending list so that we have capacity to both access funds and withdraw. We may seek a temporary increase in our lending limits for these funds. We will also consider appropriate use of the DMO. The DMO should be strongly protected against disruption as it is the heart of government finance. For example we might place funds with the DMO that mature on dates when we have large payments such as payroll as this would give a high level of assurance that we will receive funds that will cover our payments. However, DMO rates are usually lower than Money Market Funds so there would be a likely though manageable loss.	31/12/20 and ongoing
Changes in workforce								
19	Provision of social care workers and adult social care supply chain risk.	3	3	9	Medium	Tracie Rees	Using Skills for Care data, which they gather info from LA's (ASC only) and care providers. They have a return rate of 100% for LA's and 55% from providers (nationally). The data for Leicester for 17/18 shows that 4% of our care workforce are non-British EU nationals. Our care workforce is 12,000 strong so 4% would equate to 480 jobs. Recruitment in the sector has improved again in recent months so impacts may not be felt initially, winter is traditionally a more difficult period for recruitment and we may find the impact is greater during winter pressure periods. ADASS branch meetings have highlighted additional risks for a number of larger care provider companies that are currently servicing their debts via exchange rate benefits from banking in Europe (mostly Ireland). A small change in the financial climate could impact significantly on this strategy leaving companies heading towards financial collapse via debt accumulation. This is being monitored nationally with no details currently on the numbers of providers potentially affected. Social care have business continuity plans that include responding to the failure of a provider and the service has experience of dealing with previous instances of provider failure. Continue close engagement with key providers about the risk and their plans to mitigate/manage it.	31/12/20 and ongoing
20	NHS impact re provision of nurses and impact of this on council social care services/public health services provided by GPs, other clinicians and allied health professionals.	2	3	6	Low	Ruth Lake / Ivan Browne	At current time (and as for recent previous years) both UHL and LPT Trusts are reporting significant numbers of nursing staff vacancies across all nursing disciplines and service structures. In total the current tally is in the region, of 600 vacancies. Any loss of staff due to EU nationals either returning to countries of origin or choosing not to come to the UK will add to an existing pressure. Trusts may be able to mitigate some of the via wider international recruitment beyond EU states subject to any immigration restrictions. The impact of this directly on adult social care services is not clearly defined. We cannot 'step in' and provide an alternative clinical offer / service. But there would likely be an increased churn of activity and system pressure that would demand more Social worker time to seek to resolve individual patient needs. Monitor and continue to work closely with Health to understand any potential impacts as they become clearer.	31/12/20 and ongoing
21	Loss of staff (e.g. if EU nationals have to return to their original countries and/or there is a lack of clarity about their status in terms of working in the UK) causes disruption to service delivery and may increase costs if roles need to be covered via temporary means.	2	1	2	Low	Miranda Cannon / Craig Picknell	Overall numbers of EU staff are low so the impacts are not likely to be significant. Utilising internal comms to provide appropriate messages particularly in terms of the Govt settlement scheme and any other implications as they are made known to us. Should staff leave at short notice, where necessary invoke business continuity plans in relation to dealing with immediate loss of staffing resources and consider appropriate measures such as use of temporary staffing e.g. agency and casuals, or the temporary redeployment of staff from less critical services if necessary. Covid-19 pandemic response has demonstrated the ability of LCC to more flexibly deploy staffing resource to critical services and activities if needed.	31/12/20 and ongoing
22	Impact on Labour market and employment makes it difficult to recruit staff and particularly in some already hard to recruit roles.	2	2	4	Low	Miranda Cannon / Craig Picknell	Targeted work around entry to employment for graduates and apprenticeships utilising the apprenticeship levy where possible, to support a 'grow our own' strategy particularly for harder to recruit roles. Where necessary utilise other tools such as market supplements. Economic impacts of Covid-19 has impacted on employment and recent recruitment activity has as a result seen significant numbers of applicants for roles including some harder-to-fill roles.	31/12/20 and ongoing



	Brexit risk/impact analysis							
Risk No:	Risk	Impact (A)	Likelihood (B)	Risk Score (A x B)	Priority	Risk Owner	Management Actions	Target Date
23	Employment of migrant workers as teachers and teaching assistants	3	3	9	Medium	Sue Welford	Awareness raised with schools of potential risks of losing staff via communication with governors, Leicester Primary Partnership and Education Improvement Partnership. Make schools aware of govt. guidance in the case of a no-deal scenario. There has been minimal loss of staff so far and those who remain are likely to remain.	31/12/20 and ongoing
24	Contracted services (Waste collection/disposal) impacted by loss of qualified workforce/difficulties recruiting, for example shortage of qualified drivers or fitters, general staff recruitment by contractors.	4	3	12	Medium	John Leach	Discuss business continuity plans with relevant contractors and then seeking to continue to enforce existing contracts mindful of the risk of increased costs in advance of re-tendering and managing this as a possible risk/future pressure.	31/12/20 and ongoing
Community cohesion/service demand								
25	Public concerns and disquiet relating to Brexit outcome leading to tensions and possible public disorder and social unrest which impacts on community cohesion within the city.	2	2	4	Low	John Leach / Miranda Cannon	Use established community tension monitoring process to continue to monitor any emerging tensions. Work closely in partnership through existing partnership arrangements, with the Police and others including the voluntary and community sector and faith groups to identify any potential issues or concerns at an early stage and to agree any necessary interventions. As appropriate, support any national communication campaigns around relevant Brexit issues such as information around the Settlement Scheme. Ensure relevant frontline officers e.g. Customer Services are briefed on possible questions/concerns that may arise so that they can respond and signpost people accordingly. Should any significant disorder arise there are well established emergency management plans and arrangements in place e.g. LCC major incident plan which can be invoked should the level of disorder necessitate this.	31/12/20 and ongoing
26	Influx of UK nationals from EU countries creates a sudden and unplanned for demand on a range of services e.g. Housing, School Admissions, Social Care, Revenues and Benefits and Customer Services.	2	2	4	Low	Alison Greenhill / Chris Burgin / Richard Sword	<p>Dependent on the scale of the demand, as appropriate, invoke the corporate/relevant service business continuity plans if applicable. Consideration to be given by service areas impacted by high demand on how to manage this including resourcing from other non priority areas, prioritisation, targeted service delivery to core/key areas. Ensure clear communications to the public / service users as appropriate regarding service access channels with online channels promoted. Positive promotion about existing service demand and potential impacts of this. Promote self help options if available . Priority service areas have restricted or to consider restricting staff leave to maximise available resources over the initial transfer period.</p> <p>Housing - Homelessness: On current approaches as homeless a 5% increase due to this risk would mean an additional 240 cases in a year. (20 a month) 10 % 480 (40 a month) . Presentations may be in crisis as just returning ( especially those who have been in other EU countries for less than 5 years) with no plans for accommodation. Homelessness Services are currently struggling to manage current numbers. Additional human resources would be needed to manage the above in Homelessness services &amp; the Property Lettings team. This would be supplied on a short term basis from District Management services (Neighbourhood Housing officers) and Housing ABSO pool. Triaging system would be put in place to determine individual case urgency and immediate need for housing based on existing Homelessness arrangements. Additional permanent accommodation would need to be sourced from LA stock (including newly purchased LA stock), RP stock and private sector rents (including a request for help/support for the provision of homes). Additional temporary accommodation to be sourced possibly through existing channels of B&amp;B. May be legislative changes to the Housing Act or interim exceptional arrangements put in place for returners In hardship. (eg/ Montserrat) - Communication plan including advice added to app/Websites.</p> <p>Housing Register - Potential local Policy changes around Leicester City Requirement to acknowledge and include those returning under Brexit arrangements. Numbers on housing register increase. Communication plan including advice added to app/Websites.</p>	31/12/20 and ongoing
27	School admissions e.g. more vacant spaces if EU nationals leave.	3	2	6	Low	Richard Sword	Work both internally and with assistance from independent experts to review place planning forecasts and develop phased provision of new space, in order to reach a point of certainty in the provision of space. This work will continue to be managed by an internal Schools Estates Governance Board which reports regularly. Liaise with city and County schools to ensure there is timely and accurate data on movement in and out of schools.	31/12/20 and ongoing
28	School admissions e.g. demand for school spaces if British nationals return to UK	2	2	4	Low	Richard Sword	Work with the government free schools team to ensure that any assistance the Council can provide in delivery of new schools is managed efficiently. Liaise with city and County schools to ensure there is timely and accurate data on movement in and out of schools.	31/12/20 and ongoing
29	Lack of understanding or certainty about the implications of Brexit create an increased demand for advice and support from citizens which impacts on a number of key services e.g. Customer Services, Welfare Advice, Housing.	2	2	4	Low	Chris Burgin / Alison Greenhill	Dependent on the scale of the demand, as appropriate, invoke the corporate/relevant service business continuity plans if applicable. Consideration to be given by service areas impacted by high demand on how to manage this including resourcing from other non priority areas, prioritisation, targeted service delivery to core/key areas. Ensure clear communications to the public / service users as appropriate regarding service access channels with online channels promoted. Positive promotion about existing service demand and potential impacts of this. Promote self help options if available . Ensure contracted Welfare Advice providers are briefed and there is clear public signposting to appropriate sources of support such as welfare advice. Refresh of the existing signposting and information for welfare advice / housing material on the web/app to reflect current guidance and advice. Increased promotion of current available local housing advice sources on web/app to channel shift and manage demand. Increase promotion of national advice sources on web. Share and Promote the local and national advice to key stakeholders (especially advice providers and other Housing providers) to enable them. Potential use of back office resources (ABSOs) & District staff (Neighbourhood Housing officers) being drafted in to increase face to face housing advice & directing to advice in the short term.	31/12/20 and ongoing
30	Demand for specialist advice from importers/exporters on regulatory compliance issues.	2	4	8	Low	Nicola Preston	<p>Establish MOU with LLEP for triage and appropriate referral</p> <p>Assessment of resource requirement</p> <p>Training sessions for officers</p> <p>Close monitoring of advice from Central Government, lead national regulators (e.g. FSA, HSE) and professional bodies (e.g. CIEH, CTSA. ACTSO).</p>	31/12/20 and ongoing
31	Complaints from public and businesses that products do not meet regulatory standards or breach intellectual property rights.	2	4	8	Low	Nicola Preston	<p>Respond based on detriment/risk assessment and availability of investigatory resource.</p> <p>Quarterly review of capacity to provide response to 'high public risk' reports/incidents.</p>	31/12/20 and ongoing
32	Requests for 'inland checks' of product conformity from Border Posts.	2	4	8	Low	Nicola Preston	<p>Quarterly review of capacity to provide response to requests</p> <p>Training sessions for Officers</p> <p>Close monitoring of guidance from Central Government, lead national regulators and professional bodies.</p>	31/12/20 and ongoing
33	Requests from HMRC for intelligence and participation in joint operations in tackling duty and VAT fraud.	2	3	6	Low	Nicola Preston	<p>Respond based on detriment/risk assessment and availability of investigatory resource.</p> <p>Quarterly review of capacity to provide response to requests.</p>	31/12/20 and ongoing
34	Increased demand for Registration Service support for European Settlement Status applications	2	3	6	Low	Bharti Desai	Utilisation of Auxiliary Registration Officers to meet demand. Challenge to bring in appointment system to minimise disruption / improve customer satisfaction	31/12/20 and ongoing

	Brexit risk/impact analysis							
Risk No:	Risk	Impact (A)	Likelihood (B)	Risk Score (A x B)	Priority	Risk Owner	Management Actions	Target Date
35	Demand for council services e.g. housing.	2	3	6	Low	Chris Burgin	Dependent on the scale of the demand, as appropriate, invoke the corporate/relevant service business continuity plans if applicable. Consideration to be given by service areas impacted by high demand on how to manage this including resourcing from other non priority areas, prioritisation, targeted service delivery to core/key areas. Ensure clear communications to the public / service users as appropriate regarding service access channels with online channels promoted. Positive promotion about existing service demand and potential impacts of this, promote self help options if available . Priority service areas have restricted or to consider restricting staff leave to maximise available resources over the initial transfer period. Monitoring and reporting by key front line services of demand for services from w/c 14/10 in the build up to the 31st October and post this date with Senior Managers in each Division considering demand and resourcing needs of service. Potential use of back office resources (ABSOs) & District staff (Neighbourhood Housing officers) being drafted in to increase face to face housing advice & directing to advice in the short term.	31/12/20 and ongoing
Business Continuity								
36	Transport network disruption – road (within 5 miles of EMA and beyond 5 miles).	2	2	4	Low	Martin Fletcher	The main road network in this area around East Midlands Airport is managed by the three county councils and the highways agency. ATC manage traffic signalling in Leicestershire and also provide traffic information for the public. Impact on Leicester from road network disruption around EMA is expected to be limited. However, if disruption does arise, dependent on the scale of the disruption, as appropriate, invoke the corporate/relevant service business continuity plans. Ensure clear communications to Managers and staff regarding options including staff working from home where this is feasible and considering alternative means of travel such as walking, cycling etc. although at the current time a significant majority of staff are working from home due to Covid-19 pandemic. Ensure clear communications to the public / service users as appropriate regarding any disruption to services. Traffic management plans have been established to manage queueing traffic on critical routes trying to access supermarkets and petrol stations in the event of panic buying. We have fully restocked our winter gritting road salt.	31/12/20 and ongoing
37	Transport network disruption to road and/or rail travel impacts on staff in relation to travel to work and may also impact on services which rely on transport e.g. social care, SEN transport, waste management etc	2	2	4	Low	Miranda Cannon	Dependent on the scale of the disruption, as appropriate, invoke the corporate/relevant service business continuity plans. Ensure clear communications to Managers and staff regarding options including staff working from home where this is feasible and considering alternative means of travel such as walking, cycling etc. although at the current time a significant majority of staff are working from home due to Covid-19 pandemic. Ensure clear communications to the public / service users as appropriate regarding any disruption to services.	31/12/20 and ongoing
38	Disruption to food supplies impacts on specific services namely children's residential care and city catering for school meals provision.	2	2	4	Low	Miranda Cannon / Caroline Tote	The relevant services will need to look to quickly adjust menus and food orders/suppliers to take account of availability of specific foodstuffs. This may require appropriate waivers in relation to procurement procedures to be agreed quickly to access other suppliers. With regards to provision of school meals, City Catering is working with its suppliers to ensure 'reserves' of non-perishable foods are available in the short term and will work with schools on short term menu alternatives if required.	31/12/20 and ongoing
39	Disruption to fuel supplies impacts on provision of services which rely on fuel/transport e.g. social care, highways, bereavement services, SEN transport, Housing etc and impacts on ability of staff to travel to work.	3	2	6	Low	Miranda Cannon	Dependent on the scale of the disruption, as appropriate, invoke the corporate/relevant service business continuity plans. The LRF has a fuel shortage plan which may be invoked. Work has been done to prepare an LCC fuel shortage plan which seeks to provide a framework for identifying critical services in relation to use of fuel and access to specific stocks of fuel which will be finalised, and then implemented if necessary. The Council also has a number of electric vehicles and electric bikes it can make available and also has some supplies of bunkered fuel. Ensure clear communications to Managers and staff regarding options including staff working from home where this is feasible and considering alternative means of travel such as walking, cycling etc. although at the current time a significant majority of staff are working from home due to Covid-19 pandemic. Ensure clear communications to the public / service users as appropriate regarding any disruption to services.	31/12/20 and ongoing
40	Disruption to power supplies impacts on provision of services including availability of buildings, ICT infrastructure etc.	2	2	4	Low	Miranda Cannon / Matt Wallace / Alison Greenhill	Dependent on the scale of the disruption, as appropriate, invoke the corporate/relevant service business continuity plans. Some critical services have generators to allow continued operation albeit in some instances at a reduced level. Ensure clear communications to Managers and staff about availability of buildings for operation and ensure clear communications to the public / service users as appropriate regarding any disruption to services. Where this is a complete power outage across the City this will impact on any communications cascade and reasonable endeavours to communicate will have to be made e.g. via phone cascade whilst mobile phones still have battery power. LRF has plans relating to a UK wide power outage which could be enacted if necessary or elements of this applied as appropriate should an outage be more locally based and there are plans to undertake training and exercising of these plans in the future	31/12/20 and ongoing
41	Business continuity for local businesses - disruption in relation to local businesses (e.g. loss of staff, impacts on supply chains etc) may impact on the Council's supply chain and cause disruption to service delivery as well as have wider implications for the local economy (see above). The Council under the Civil Contingencies Act has a duty to promote business continuity to businesses	3	4	12	Medium	Miranda Cannon / Mike Dalzell / Mandip Rai	Use opportunities such as Business Continuity Awareness Week to highlight the importance of business continuity to external organisations. Use links with businesses such as via the City Centre Director, LLEP, Economic Dev Team to further raise awareness.	31/12/20 and ongoing
42	Loss of staff e.g. if EU nationals have to return to their original countries causes disruption to service delivery and may increase costs if roles need to be covered via temporary means.	2	1	2	Low	Miranda Cannon	Low numbers of EU staff overall in the workforce mean this is low risk. Should staff leave at short notice, where necessary invoke business continuity plans in relation to dealing with immediate loss of staffing resources and consider appropriate measures such as use of temporary staffing e.g. agency and casuals, or the temporary redeployment of staff from less critical services if necessary. Seek to recruit to roles and continue to utilise other measures such as entry to employment to 'grow our own' internally where posts are difficult to recruit to. Covid-19 pandemic response has demonstrated the ability of LCC to more flexibly deploy staffing resource to critical services and activities if needed.	31/12/20 and ongoing
43	Disruption to schools due to lack of consideration of potential risks and business continuity	2	2	4	Low	Sue Welford	Raise awareness with schools and signpost to GOV.UK Brexit guidance for schools. Encourage schools to undertake their own risk assessments and share with their LGBs. Continue ongoing work through REBR and H&S teams on supporting schools to have robust business continuity arrangements.	31/12/20 and ongoing

RISK SCORING MATRIX

	Impact	Score	Benchmark Effects
Criteria	CRITICAL / CATASTROPHIC	5	- Multiple deaths of employees of those in the council's care - Inability to function effectively, council-wide - Will lead to resignation of Chief Operating Officer and/or City Mayor - Corporate Manslaughter charges - Service delivery has to be taken over by Central Government - Front page news story in National Press Financial loss over £10m
	MAJOR	4	- Suspicious death in council's care - Major disruption to council's critical services for more than 48hrs eg major ICT failure) - Noticeable impact in achieving strategic objectives - Will lead to resignation of Strategic Director and/or Executive Member - Adverse coverage in National Press / Front page news locally Financial loss £5m - £10m
	MODERATE	3	- Serious injury to employees or those in the council's care - Disruption to one critical council service for more than 48 hrs - Will lead to resignation of Divisional Director/Project Director - Adverse coverage in local press - Financial loss £1m - £5m
	MINOR	2	- Minor injury to employees or those in the council's care - Manageable disruption to internal services - Disciplinary action against employee - Financial loss £100k - £1m
	INSIGNIFICANT / NEGLIGIBLE	1	- Day-to-day operational problems - Financial loss less than £100k

Likelihood	Score	Expected Frequency
ALMOST CERTAIN	5	Reasonable to expect that the event <b>WILL</b> undoubtedly happen/recur, possibly frequently and is probable in the current year.
PROBABLE/LIKELY	4	Event is <b>MORE THAN LIKELY</b> to occur. Will probably happen/recur, but it is not a persisting issue. Will possibly happen in the current year and be likely in the longer term.
POSSIBLE	3	<b>LITTLE LIKELIHOOD</b> of event occurring. Not likely in the current year, but reasonably likely in the medium/long term.
UNLIKELY	2	Event <b>NOT EXPECTED</b> . Do not expect it to happen/recur. Extremely unlikely to happen in the current year, but possible in the longer term.

	Almost Certain 5	5	10	15	20	25
	Probable/Likely 4	4	8	12	16	20
	Possible 3	3	6	9	12	15
LIKELIHOOD	Unlikely 2	2	4	6	8	10
	Very unlikely/ Rare 1	1	2	3	4	5
		Insignificant/ Negligible 1	Minor 2	Moderate 3	Major 4	Critical/ Catastrophic 5
		IMPACT (A)				

VERY UNLIKELY/RARE	1	<b>EXCEPTIONAL</b> event. This will probably never happen/recur. A barely feasible event.
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LEVEL OF RISK	OVERALL RATING	HOW THE RISK SHOULD BE TACKLED/ MANAGED	RECOMMENDED RISK REVIEW FREQUENCIES
High Risk	15-25	IMMEDIATE MANAGEMENT ACTION	1 - 3 MONTHS
Medium Risk	9-12	Plan for CHANGE	3 MONTHS
Low Risk	1-8	Continue to MANAGE	6 MONTHS

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# ***Local Government & Social Care Ombudsman Complaints 2019/20***

Audit & Risk Committee

Date of meeting: 24 November 2020

Lead director: Alison Greenhill, Director of Finance

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### Useful information

- Ward(s) affected: All
- Report author: Nilkesh Patel (Service Improvement Manager)
- Author contact details: (0116) 454 2505
- Report version number: V1 (0032)

## 1 Summary

The purpose of this report is to update the members of the Audit & Risk Committee on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) in 2019/20 regarding Leicester City Council, and for Elected Members to note the outcomes, comment on our actions in response to the lessons learned, the planned improvements, and how these will influence planned future delivery.

## 2 Recommendations

Members are asked to:

1. Note and comment upon the report observations, including the comparisons and improvements within the administration of complaint handling.
2. Comment upon our actions for future change.

## 3 Summary of the annual complaints for 2019/20.

The LGSCO's published 2019/20 annual report details key statistics and themes happening nationally about the complaints made to the Ombudsman. The table below shows the national and local picture:

Report themes	National results	Previous year %	Leicester City Council results	Previous Year %
Complaints upheld rate	61%	58%	61%	36%
Highest proportion of upheld complaints	Education and children's services 72%	Benefits & Tax service 69%	Public Protection & Regulation 33.3%	Benefits and Tax 25%
Councils are putting things right more often.	13% of upheld cases already offered a suitable remedy	Increase of 2%	40.1%	59.9%



Number of service improvements recommended	Increased by 12%		Increase of 4.1%	
Compliance with LGSCO recommendations	99.4%	99.4% No change	100%	100% No change

NB: The Ombudsman received a total of 119 complaints. Of these 36 investigated complaints 22 (61%) were upheld with the Council required to remedy the situation.

#### 4 Summary of the complaints for 2019/20

4.1 The Ombudsman reports a total of 112 complaints received during 2019/20, with decisions being made in 119 cases (some complaints received during 2018/19 were not decided during that year). This compares favourably to 128 complaints received during 2018/19.

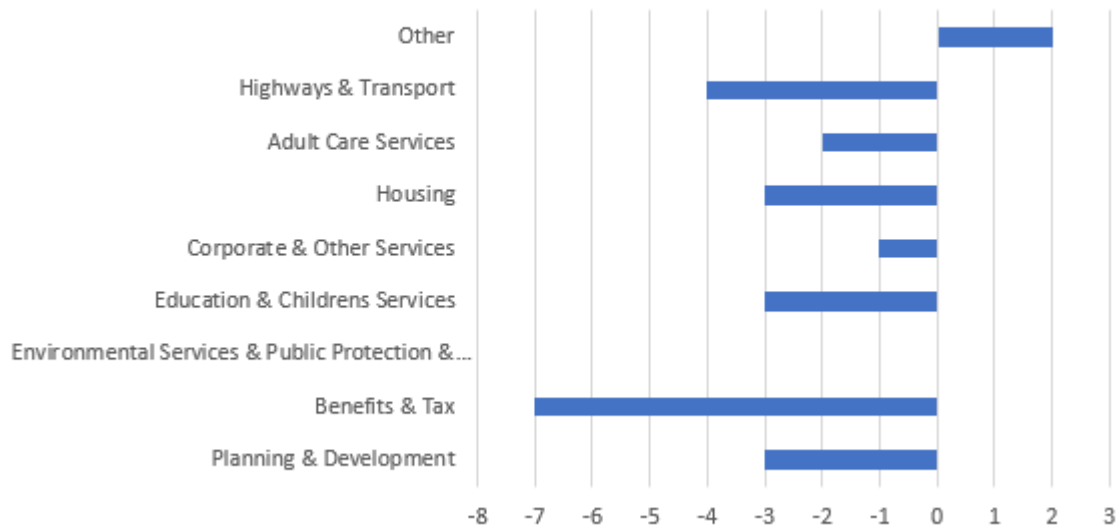
4.2 The Ombudsman categorises service areas slightly differently to LCC's internal complaints process e.g. benefits and tax is one area within the Ombudsman reporting arrangements whereas at Leicester Housing Benefits and Council Tax are distinct reporting areas. Complaints relating to school admissions appeals are categorised as a legal challenge and administered by Legal Services within Leicester, the Ombudsman would categorise it under Education.

4.3 Key themes that were identified at Leicester included:

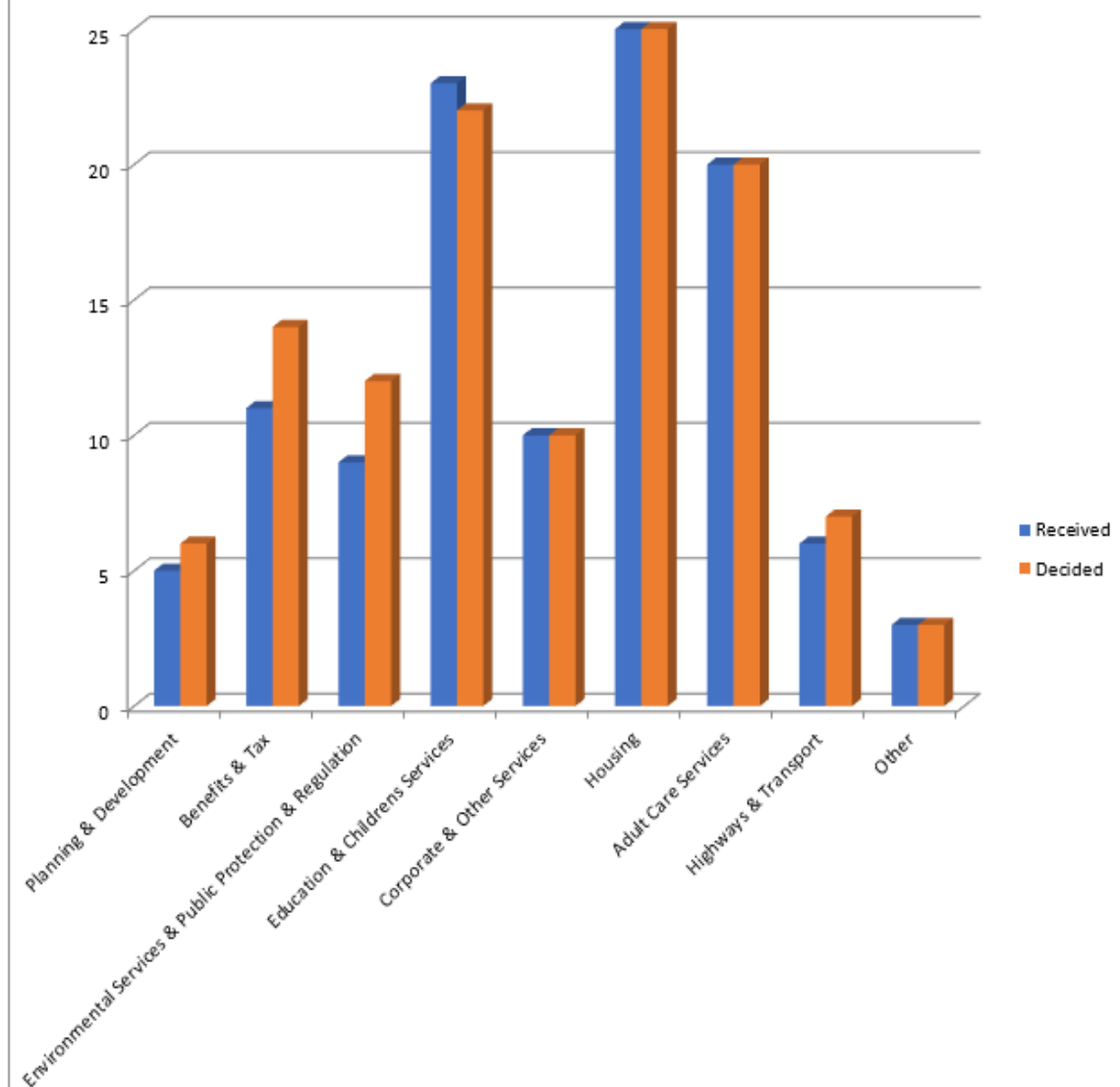
- (i) A fall in complaints in all areas except Environmental Services.
- (ii) Public Protection & Regulation, is a new reporting area for the LGSCO
- (iii) LGSCO upheld 61% of total investigations
- (iv) Highest proportion of upheld complaints around Environmental Services, Public Protection & Regulation (33.3%)
- (v) No LGSCO complaints were upheld for Planning and Development and Corporate and Other Services.

4.4 The chart below shows the comparison in Complaints received per service area, compared to 2018. Most services areas have reduced complaints received by the LGSCO.

## 2018/2019 Comparison: Complaints Received



## Received & Decided





4.5A further difference between the procedures include how the decision outcomes of complaints investigations are recorded, these are:

Leicester City Council's (LCC) outcomes	Ombudsman outcomes
Justified	Upheld
Partially Justified	Upheld
Not Justified	Not Upheld
Rejected	Closed / Rejected / Invalid / incomplete
Triaged (Service request)	Local Resolution/provided advice

We plan to review the Corporate Complaints policy this year (20/21) and as part of the review we will be aligning the outcomes to mirror the reporting of the LGSCO.

## 5 Outcomes of LGSCO complaints investigated for Leicester

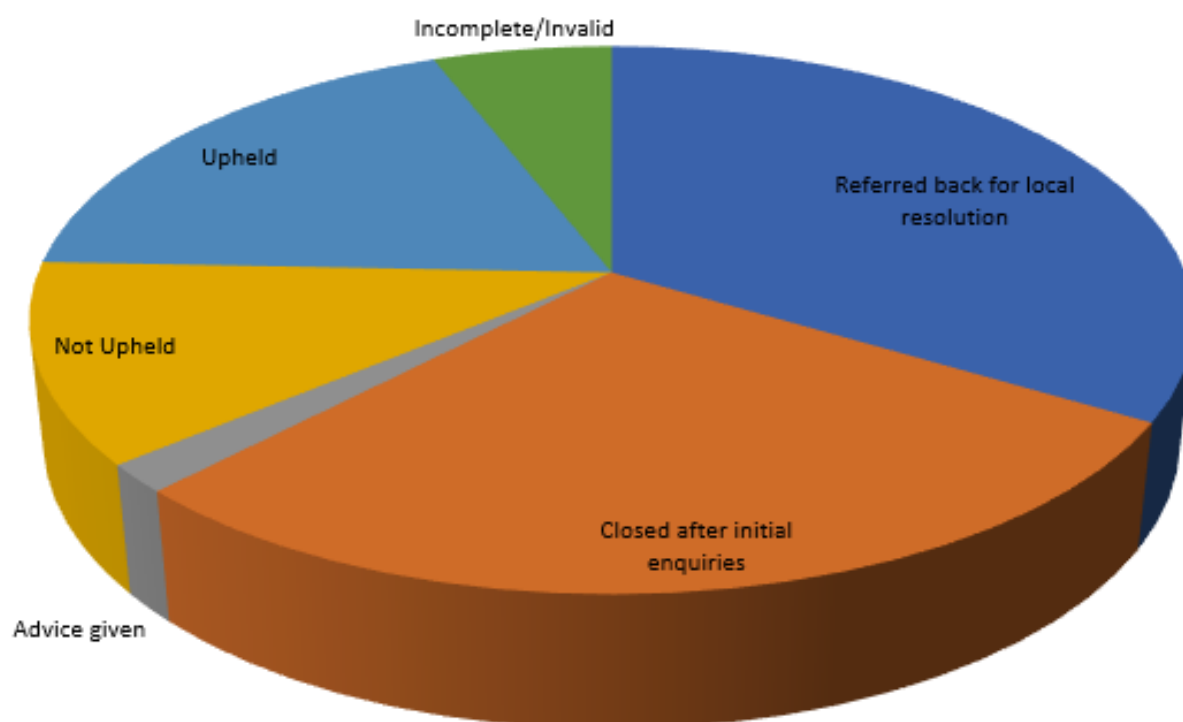
5.1 Below are the detailed outcomes of the 119 complaints where decisions were recorded by the Ombudsman. The way LGSCO presents its data in the report details all complaints submitted in the year irrespective that an outcome of a decision was unknown. At Leicester there were 2 (or 3.4%) of complaints outstanding as undecided in 2019/20 and are not reflected in the detail below.

- 22 complaints (18.5%) upheld. The Ombudsman uses a two-fold test to identify maladministration (also referred to as service failure). It comprises (i) fault coupled with (ii) Injustice. The LGSCO may find against the Council and publishes statements on all such findings. Where, however, the finding is one of maladministration the Ombudsman will issue a public interest report, with which there are statutory duties on us in terms of publication of the report
- 40 (33.6%) were referred to LCC for local resolution i.e. the ombudsman did not investigate the complaint and felt it should be dealt with by the local authority and we should be given a further chance to remedy the situation. In 2 (1.7%) of the 40 cases, the Ombudsman went on to provide indicative findings and invited local resolution i.e. the author is given a further opportunity to remedy the situation based on the Ombudsman's advice.
- 14 (11.8%) were not upheld, no fault was found;
- 34 (26.9%) cases were closed after initial enquiries. This was as a result of the Local Authority resolving the complaint before approaching the LGSCO, and/or the customer receiving a satisfactory response from the Local authority from the initial LGSCO enquiries, customer deciding not to pursue the complaint to the LGSCO
- 7 (5.8%) were rejected as incomplete or invalid. This was due to a variety of reasons i.e. not approached the authority in the first instance, not under the jurisdiction of the LGSCO etc.

5.2 Though the Ombudsman only upheld 22 out of the 119 complaints made to it, the Ombudsman only investigated 36 of the 119 in detail. When looking at the "uphold rate" the Ombudsman only considers the number upheld out of those cases it

investigated in detail. Based on this, the Authority's "uphold rate" is 61% which means more complaints were upheld compared to 2019, where "uphold rate" was 36%.

5.3 The pie chart below details the outcomes for LGSCO complaints for Leicester.



For further breakdown of this detail please see appendix 2, detailing the findings and reporting for Leicester City Council.

## 6 Compliance and remedies

6.1 Of the 22 upheld complaints, the Ombudsman made recommendations to the Council to offer a remedy the complainant in 13. Recommendations can be time limited. Remedies can be changes to council policy, an offer of compensation or simply a formal apology. LCC accepted and complied with the remedies suggested in all cases but did so outside of the timescale set by the Ombudsman in two cases. Leicester's compliance rate at the point this report was drafted is 100% compared to the national figure of 99.4%. (for more detail on the remedies accepted see appendix 1)

6.2 In comparison with 2018/19 the Ombudsman made recommendations in five cases, and LCC complied with all and within the timescale set by the Ombudsman. Each case is based on its merits and comparisons aren't a straightforward match.

6.3 The following improvements were made to Leicester's services as a result of the advice, recommendations and feedback from the Ombudsman:

- Created and disseminated a policy or procedural guidance to ensure that Continuing Health Care (CHC) referrals are made in a timely fashion for individuals with specific healthcare needs;
- Better record keeping of all noise complaints made outside operating hours by ensuring any messages left on the answer machine are then entered onto the database to action. Previously it was manually checked;
- Reviewed policies on investigation and enforcement of noise nuisance and made changes to ensure investigation and enforcement is picked up at the earliest stage possible;
- Reviewed procedures and properly record decisions of care needs assessments;
- In association with Leicestershire County Council, drew up a protocol to ensure each council is aware of its responsibilities in relation to Education Health and Care planning and provision when a Looked after Child is placed in the City Council's area;
- Reminded staff that what is recorded about parents should be factual and non-judgmental;
- Reminded Housing staff about their obligation to issue written notifications when it accepts, and then ends, the homelessness prevention and relief duties;
- Considered whether invoices were wrongly issued to anyone following non-payment of fixed penalty notices for bins being left out on the street outside of collection times. The outcome resulted in the service apologising to the customer for the inconvenience caused;
- Developed a process for checking whether commercial premises remain unoccupied on a regular basis;
- Reminded Revenues and Benefit officers of the need to ensure accuracy in its letters to customers and the need to promptly identify overpayments which require recovery action. Regular monitoring has supported this improvement;
- Considered the training needs of officers completing or overseeing needs assessments under the Care Act and ensuring officers act in accordance with the Care Act. Training is provided to officers within Social Care regularly. In this complaint the case was passed to another officer to support the customer;
- Set a timeframe for making a decision on its advisory disabled parking bays and information on when the review of its policy will be complete.

The above have all been implemented and shown as embedded in working practices within services.

## **7 Comparisons**

7.1 Leicester's performance with an upheld outcome at 61% (22 upheld, 14 not upheld) compares reasonably well against the other East Midlands cities, and Bristol, the nearest comparator by population, where on average 57% of complaints are upheld. Nationally, the upheld complaints level is 61%.

7.2 At Leicester a) Complaints to the Local Government and Social Care Ombudsman (LGSCO) fell by 12.5%, b) cases brought forward for investigation rose from 25% to 32% and c) remedies issued fell by 18%.

Local Benchmarking							
City	Incomplete / invalid	Advice given	Local resolution	Closed stage 1	Not upheld	Upheld	Upheld rate
Leicester	7	7	40	34	14	22	61%
Nottingham	3	2	29	33	7	12	63%
Derby	3	0	22	18	6	7	54%
Coventry	12	1	39	42	11	11	50%
Bristol	9	6	44	48	13	20	61%
Satisfactory remedy provided by the authority before the complaint reached the Ombudsman							
City	Upheld cases			% of upheld cases			
Leicester	2			9%			
Nottingham	1			8%			
Derby	1			14%			
Coventry	2			18%			
Bristol	2			10%			

## 8 Future Changes:

8.1 The following improvements/changes are recommended, to Corporate Management Team on 07/10/2020, to improve our practices generally and complaints process. They will also support Leicester's outcome in providing a fair and impartial service delivery across our corporate body and would make a difference to our residents. These are:

- **Continuously reviews to policy and procedures.** Where a recommendation by the ombudsman, the service area will continue to analyse the impact(s) of the change upon service delivery, customer and stakeholder outcomes have been improved and the likelihood of a similar complaint has been mitigated.
- **Regular Monitoring the ombudsman's recommendations.** Corporate Complaints will liaise with the Service Manager, within the relevant service area to the recommendation, to ensure the agreed activity/actions continue to be implemented. This activity will be undertaken a minimum of twice-yearly dependant of the compliance behaviour of the service.
- **Review our approach to remedies.** The remedy needs to be proportionate, appropriate, and reasonable. Similar remedies are appropriate for similar cases, but we must consider each case on its own merits in light of the particular circumstances. Our key principle is that the remedy should, as far as possible, put the complainant back in the position he or she would have been in if the error had not occurred.
- **Better reporting of adverse decisions.** Corporate Complaints will ensure an improved mechanism is in place for when an adverse decision has been made by the Ombudsman. This will clearly identify to the statutory officers responsible for governance of the decision, undertaking the recommendations, identified planned action by the service to meet these requirements; detail the compliance actions and associated timeframe.

## **9. Financial, legal, equalities, climate emergency and other implications**

### **9.1 Financial implications**

There are no direct financial implications arising from this report, although upheld complaints can result in both direct and indirect costs.

Colin Sharpe, Deputy Director of Finance, ext. 37 4081

### **9.2 Legal implications**

It is important to understand that the LGSCO publishes all “Decisions” on their website, and this includes details of cases (suitably anonymised) whether they are upheld or rejected. However in some cases, where they deem there to be a public interests in learning lessons from a complaint they will issue a “public interest report” which will oblige the Council to issue a press release about the findings, report the matter to Elected Members, and report back to the LGSCO on remedial action taken (30 – 31 Local Government Act 1974).

<https://www.LGSCO.org.uk/make-a-complaint/possible-outcomes>

Kamal Adatia, City Barrister and Head of Standards – Ext 37 1401

### **9.3 Equalities implications**

When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity and foster good relations between people who share a ‘protected characteristic’ and those who do not.

In doing so, the council must consider the possible impact on those who are likely to be affected by the recommendation and their protected characteristics.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

Whilst there are no direct implications arising from this report, having an effective complaint procedure helps to deal with complaints quickly, fairly and consistently. It also has the potential to help make improvements that lead to increased customer satisfaction for service users from across all protected characteristics. Future changes identified in the report need to ensure equality considerations are embedded and put into practice as appropriate.

Sukhi Biring, Corporate Equalities Officer, 454 4175

## **9.4 Climate Emergency implications**

There are no significant climate change implications associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

## **9.5 Other implications**

None

## **10. Background information and other papers:**

## **11. Summary of appendices:**

LGSCO annual report <https://localLGSCOovernmentlawyer.co.uk/governance/396-governance-news/44474-increase-in-systemic-problems-sees-ombudsman-make-12-more-service-improvement-recommendations-in-2019-20>

## **12.**

**Appendix 1** – Detail of complaint remedies accepted.

**Appendix 2** – Overview of Leicester City Council's statistics

- a. LGSCO Chief Executive letter (PDF)
- b. Complaints received (LGSCO excel spreadsheet)
- c. Complaints decided (LGSCO excel spreadsheet)
- d. Remedy & Compliance outcomes (LGSCO excel spreadsheet)

**13. Is this a private report NO**

**14. Is this a “key decision”? NO**

Appendix 1 Category	Remedy Financial redress	Remedy Apology,	Remedy Training and guidance	Remedy Avoidable distress/time and trouble	Remedy Loss of service, Quantifiable loss	Remedy Procedure or policy change /review	Remedy other	Satisfaction with Compliance
Benefits & Tax	✓				✓		✓	Remedy complete and satisfied
Benefits & Tax		✓	✓					Remedy complete and satisfied
Environmental Services & Public Protection & Regulation	✓	✓		✓		✓		Remedy complete and satisfied
Environmental Services & Public Protection & Regulation		✓					✓	Remedy completed late
Education & Children's Services		✓					✓	Remedy complete and satisfied
Education & Children's Services		✓				✓		Remedy complete and satisfied
Education & Children's Services	✓	✓		✓	✓	✓		Remedy complete and satisfied
Housing		✓	✓				✓	Remedy complete and satisfied
Housing	✓	✓		✓				Remedy complete and satisfied
Adult Care Services	✓	✓		✓	✓			Remedy complete and satisfied
Adult Care Services	✓	✓		✓		✓	✓	Remedy complete and satisfied
Adult Care Services		✓	✓	✓			✓	Remedy completed late
Highways & Transport						✓		Remedy complete and satisfied

**NB – Remedy other could be Improved Body in Jurisdiction remedy (Housing ) or Reassessment (ASC Services)**





# Local Government & Social Care OMBUDSMAN

22 July 2020

*By email*

Mr Keeling  
Chief Operating Officer  
Leicester City Council

Dear Mr Keeling

## **Annual Review letter 2020**

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2020. Given the exceptional pressures under which local authorities have been working over recent months, I thought carefully about whether it was still appropriate to send you this annual update. However, now, more than ever, I believe that it is essential that the public experience of local services is at the heart of our thinking. So, I hope that this feedback, which provides unique insight into the lived experience of your Council's services, will be useful as you continue to deal with the current situation and plan for the future.

## **Complaint statistics**

This year, we continue to place our focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have made several changes over recent years to improve the data we capture and report. We focus our statistics on these three key areas:

**Complaints upheld** - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated. A focus on how often things go wrong, rather than simple volumes of complaints provides a clearer indicator of performance.

**Compliance with recommendations** - We recommend ways for authorities to put things right when faults have caused injustice. Our recommendations try to put people back in the position they were before the fault and we monitor authorities to ensure they comply with our recommendations. Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

**Satisfactory remedies provided by the authority** - We want to encourage the early resolution of complaints and to credit authorities that have a positive and open approach to resolving complaints. We recognise cases where an authority has taken steps to put things

right before the complaint came to us. The authority upheld the complaint and we agreed with how it offered to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

This data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 29 July 2020, and our Review of Local Government Complaints. For further information on how to interpret our statistics, please visit our [website](#).

This year, I issued a public report about the Council after it wrongly decided a mother was not providing an adequate home education for her son. It sought to take legal action to enforce school attendance, even though evidence did not show the child was missing education.

Disappointingly, the Council twice declined to abandon legal action against the mother, despite direct requests from us to do so. The Council also took too long to accept our findings, despite there being clear evidence of fault. It eventually agreed to apologise to the mother and to remind officers that comments placed on record about parents should be factual rather than judgemental.

Despite agreement, the Council's apology to the mother was unsatisfactory and we had to threaten to issue a further report before the mother received a suitable apology.

### **Resources to help you get it right**

There are a range of resources available that can support you to place the learning from complaints, about your authority and others, at the heart of your system of corporate governance. [Your council's performance](#) launched last year and puts our data and information about councils in one place. Again, the emphasis is on learning, not numbers. You can find the decisions we have made, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the tool with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

Earlier this year, we held our link officer seminars in London, Bristol, Leeds and Birmingham. Attended by 178 delegates from 143 local authorities, we focused on maximising the impact of complaints, making sure the right person is involved with complaints at the right time, and how to overcome common challenges.

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. During the year, we delivered 118 courses, training more than 1,400 people. This is 47 more courses than we

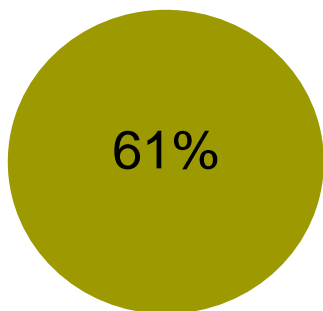
delivered last year and included more training to adult social care providers than ever before.  
To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Yours sincerely,

A handwritten signature in black ink, appearing to be 'M King', with a stylized flourish at the end.

Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England

### Complaints upheld



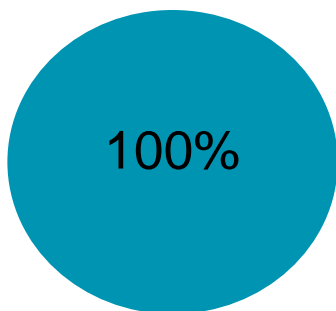
**61%** of complaints we investigated were upheld.

This compares to an average of **56%** in similar authorities.

**22**  
upheld decisions

Statistics are based on a total of 36 detailed investigations for the period between 1 April 2019 to 31 March 2020

### Compliance with Ombudsman recommendations



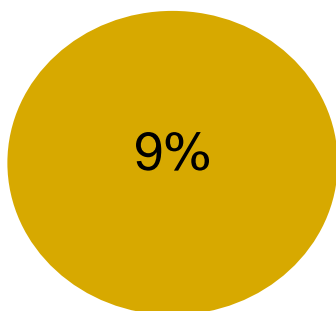
In **100%** of cases we were satisfied the authority had successfully implemented our recommendations.

This compares to an average of **99%** in similar authorities.

Statistics are based on a total of 20 compliance outcomes for the period between 1 April 2019 to 31 March 2020

- Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

### Satisfactory remedies provided by the authority



In **9%** of upheld cases we found the authority had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **11%** in similar authorities.

**2**  
satisfactory remedy decisions

Statistics are based on a total of 36 detailed investigations for the period between 1 April 2019 to 31 March 2020

## Complaints and Enquiries Received (by Category) 2019-20

Authority Name	Adult Social Care	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environmental Services, Public Protection and Regulation	Highways and Transport	Housing	Planning and Development	Other	Total
Bristol City Council	12	18	9	16	18	19	17	15	6	130
Coventry City Council	14	11	6	25	25	21	6	5	4	117
Derby City Council	11	5	2	22	7	3	3	0	0	53
Leicester City Council	20	11	10	23	9	6	25	5	3	112
Nottingham City Council	17	5	7	17	6	11	7	4	1	75

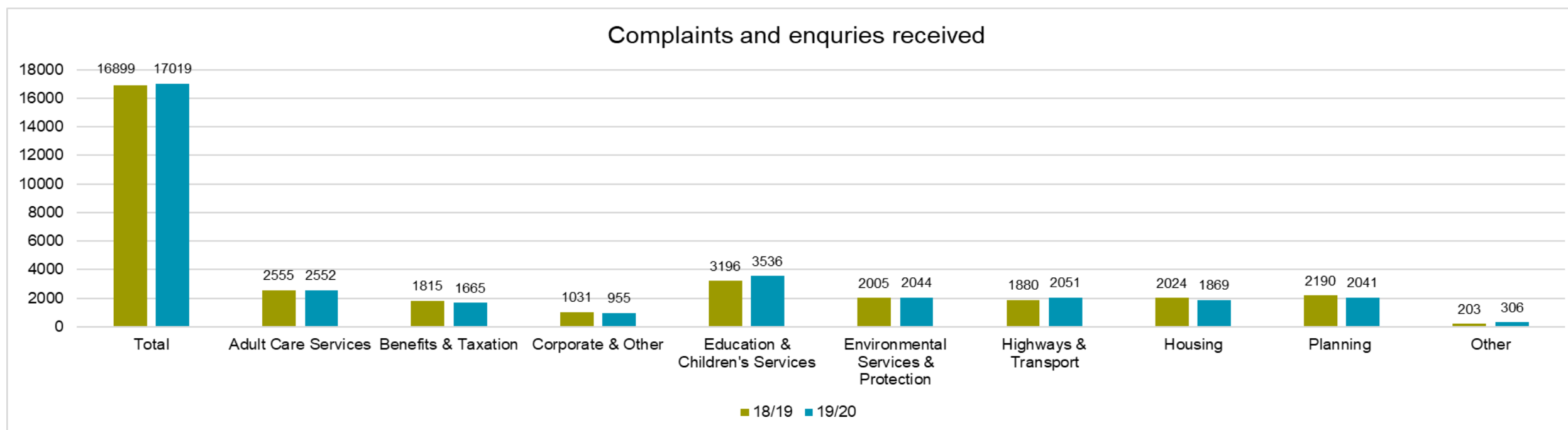
### Notes

These statistics include all complaints and enquiries that were received from 01 April 2019 to 31 March 2020.

Some cases are received and decided in different business years. This means the number of complaints and enquiries received may not match the number of decisions made.

You can find comparisons with last year's data on the second tab of this workbook.

For more information on how to interpret our statistics, please visit: <https://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>



## Remedy and compliance outcomes 2019-20

Authority Name	Number of upheld complaints	Uphold Rate (%)	Average uphold rate (%) of similar authorities	Upheld cases where the authority provided a satisfactory remedy before the complaint reached the Ombudsman (%)	Average satisfactory remedy rate of similar authorities (%)	Number of cases with a compliance outcome recorded during the year	Cases we were satisfied the authority successfully implemented our recommendations to remedy the complaint (compliance rate) (%)	Average compliance rate of similar authorities (%)
Bristol City Council	20	61	56	10	11	7	100	99
Coventry City Council	11	50	67	18	11	5	100	100
Derby City Council	7	54	56	14	11	7	100	99
Leicester City Council	22	61	56	9	11	20	100	99
Nottingham City Council	12	63	56	8	11	11	100	99

### Notes

These statistics include remedy and compliance outcomes recorded between 01 April 2019 and 31 March 2020.

Some cases are received and decided in different business years; compliance outcomes may also fall in different business years. This means the number of complaints upheld may not match the number of remedy and compliance outcomes recorded.

For more information on how to interpret our statistics: <http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>





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# **Corporate Complaints (non- statutory) 2019/20**

Audit & Risk Committee

Date of meeting: 24th November 2020

Lead Director: Alison Greenhill, Director of Finance

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### **Useful information**

- Ward(s) affected: All
- Report author: Nilkesh Patel (Service Improvement Manager)
- Author contact details: (0116) 454 2505
- Report version number: V1 (003) (001)

### **1. Summary**

The purpose of this report is to update the Audit & Risk committee on corporate non - statutory complaints for 2019/ 20.

### **2. Recommendation**

Committee members are asked to:

1. Note and comment upon the report including the changes and improvements within the administration of complaint handling.
2. Comment upon our actions driven by lessons learnt.
3. Note planned future changes to the policy.

### **3. Background**

3.1 Since April 2016 we have been operating a single stage non-statutory complaints regime, streamlining the process and providing a flexible approach to handling a complaint dependent upon its nature and complexity. This single stage procedure was followed until May 2019 when a Corporate Complaints Policy was formally introduced. Since then the “triage/prevention” process successfully determines the route of the complaint and who will need to be involved.

3.2 It should be noted that Statutory complaints relating to Adults and Children’s Social Care are not administered by the Corporate Complaints Team and are investigated through a separate statutory procedure. Most of the statutory complaints are administered and investigated within Adults and Children Social Care division.

3.3 During 2019/20 it was determined by the Social Care Local Government and Social Care Ombudsman (LGSCO), if any social care complaint is about how the Council has treated you as an adult or about child protection matters or how the Council assess families and prepares reports for the court in private proceedings then it will be considered under the Corporate Complaints policy. Section 2.7 of the Corporate Complaints policy has been updated in respect of the above and are included in the reporting under “Children’s Services” from December 2019. All other Social Care Local Government statutory complaints are dealt with by the social care teams.

3.4 Complaints can be submitted in writing, by telephone, by email and through MyAccount. If the customer presents at Granby Street Customer Service Centre as vulnerable, for whatever reason, they will be supported to make a complaint.

#### **4. Summary of the annual complaints for 2019/20.**

4.1 In 2019/20 the total number of complaints received was 1,328, compared to 1,408 in 2018/19, a reduction of 12.1%. Of the complaints received, 963 (73%) were “triaged” to the appropriate service to respond as a request for action/service such as provide orange bag. This meant a total of 365 were investigated as “complaints” compared to 544 the previous year, a reduction of 33%.

4.2 The Corporate Complaints team will speak with the customer and liaise with the service on behalf of the customer; to ascertain if the action they wish to happen can be completed. If this is the case, we categorise this as a service request / request for action and the customer issue is resolved.

#### **Justified complaints**

4.3 The team determined that of the 365 complaints independently investigated, 18% were justified, a further 18% were partially justified and 64% were deemed as “not justified” and therefore did not find the authority at fault.

The percentage of complaints found to be justified was equivalent to the previous year.

The service remains confident complaints that are found to be justified through this independent process are reflective of the service customers receive.

#### **Why customers complain:**

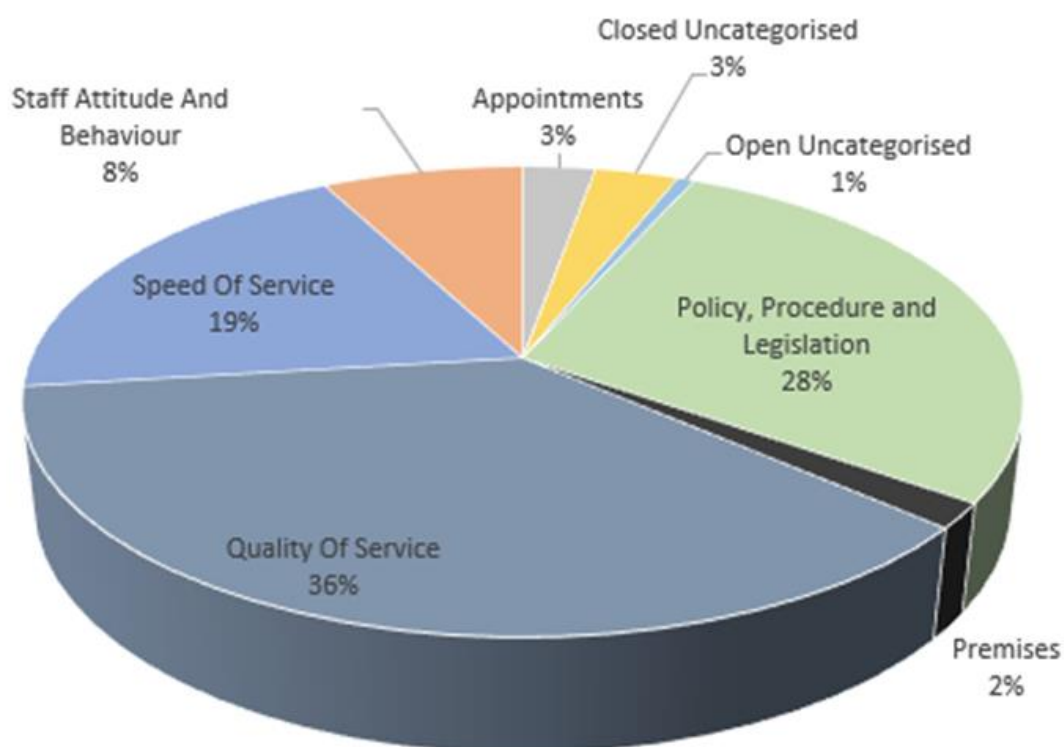
4.4 Complaints are categorised into the main reasons for the complaint, within a limited list. We categorise each complaint over all the applicable areas that it relates to, therefore the numbers relating to the reason categorisation will always exceed the total number of complaints received. These are as follows:

- Appointment
- Policy, procedure and Legislation
- Premises – any complaints relating to leisure centres or premises of LCC
- Quality of Service
- Speed of Service
- Staff attitude and behaviour
- Closed Uncategorised – pending agreement with customer
- Open Uncategorised – where the complaint is still open

The top three categories of complaint remain, as previously in 2018/19:

1. Quality of service 196 (36%),
2. Policy, procedure and legislation 162 (28%).
3. Speed of service 79 (19%)

## Category of Complaints



The top 10 service areas for which we receive complaints are listed below. The top 5 complaints are, as in previous years, attributed to Housing Services and Revenues & Customer Support. This is unsurprising as they interact with the greatest numbers of customers in demanding areas of council business. It is positive to note Housing repairs complaints have reduced by 48% from the previous year having engaged with the new triage/prevention arrangements. This trend is repeated for Local Taxation complaints, reducing by 19% from 79 to 64 in 2019/20. Customer Services complaints have reduced by 75% from 20 in 2018/9 to 5.

Top 10 service areas for complaints	Total	%
Housing repairs	97	28%
Local Taxation	64	19%
Housing Other	38	11%
Housing Options	35	10%
Housing Benefits	34	10%
Sports & Leisure Centres	12	3%
Planning Management	9	3%
Traffic Management	9	3%
Parks & Green Spaces	9	3%
Street Scene Enforcement	8	2%

4.5 It has recently been identified that within waste management there are 2 methods of making a complaint and correspondingly recording complaints about waste. Where a customer perceives services delivered by our contracted partners Biffa, are below expectations these can be reported to the waste team direct and are resolved directly by Biffa's Complaints co-ordinator. This opportunity for customer resolution is intrinsic within the commissioned offer from Biffa. There have been 1,576 such issues during 2019/20 which are reported and handled outside of the corporate complaint's procedure. These are known as Biffa complaints. Data provided by Waste management is limited. Of the 1,576 issues, 41% (646) of these were an error attributed to Biffa contractors and 57% (899) were customer behaviour error (such as did not put the bin out on the correct day) with 2% (31) categorised as *error in reporting*.

The complaints team are working with Digital transformation, undertaking a review of the handling and process of such complaints received directly to Waste team. The aim of this review is to ensure a simple process for the customer and to ensure contractual compliance whilst maintaining accurate recording of statistical data relating to waste management complaints.

4.6 Overall, there has been a reduction in the total number of complaints received over the past year. Although it is not possible to identify specific reasons for this, the experiences of the complaint team is that:

- Services are improving their service offer (Housing and Revenues);
- The on-line triage used to tease out the reasons why a customer seeks redress has been improved – for example the most appropriate route to resolve a disputed decision for Housing Benefit is a request for a reconsideration decision so the triage process, when a customer complains about a decision, now signposts them to the appropriate website,
- Services are being more proactive and adhering to the triage/prevention process to address the service issue and therefore avoiding a complaint; and
- Customers are choosing to use other avenues to complain and therefore bypassing the complaints process i.e. direct to Councillors and Members of Parliament and using "The Mayor" email account.

It is recognised that submitting an online complaint is not the logical journey for the customer. In response to the issue, the Digital Transformation and the Service Improvement Manager have been working together to undertake a review of the MyAccount customer journey. The project was due to conclude at the end of summer 2020, however has been delayed and will conclude by Easter 2021.

## **5. Lessons Learned**

5.1 Working with other services to understand their processes over the last financial year, we have been able to identify key complaint triggers and where changes can be made to make a difference in our divisions. These include:

- Being proactive to tackle personal injustice: typically, the customer wants to be listened to, offered an apology and an opportunity to appeal or request a review of their case. These represent opportunities to mitigate a complaint, usually over the phone.
- Recommendations for service improvements arising from complaint investigations: a review of policies, change to practices, training staff, better communication

between teams and with the customer, improve record keeping, system changes and raising awareness of issues within the authority and to the public.

## **6. Future Changes:**

6.1 There are 3 actions which will make a difference to delivery without compromising the benefits of complaints. These are:

- Continuous complaints prevention activity to be introduced to remaining services/divisions. As part of the triage process some comments/complaints can be resolved via a quick phone call or email to agree a local level resolution. The complaints officers have introduced this with all service areas; the process has proved to be working efficiently in terms of complaints resolution with anecdotal feedback from the customers at the time of the triage indicating a good level of customer satisfaction. This activity has resulted in a reduction in complaints within the services.
- Continue with Service Improvement meetings with the services that receive the largest proportion of complaints. This is an on-going development to improve complaint handling and deliver meaningful customer focussed service improvements.
- Corporate Complaints Policy. This was introduced in May 2019. It will ensure we meet the good practice outlined by the Local Government Ombudsman (LGO) / Housing Ombudsman (HO), and comply with our obligations on fairness, transparency and accessibility under (amongst others) the Human Rights Act 1998, the Equalities Act 2010 and the Data Protection Act 2018. A yearly review of this policy is recommended to ensure it meets its definition.
- The Service Improvement Manager will review the categorisation of complaints to improve analysis. This is a major project in conjunction with the customer journey to improve complaints submission as well as back office reporting in order to mirror the LGSCO reporting.

## **7. Risk and issues:**

7.1 Corporate Complaints handling is continuing to deliver the original aims of reducing complaints and delivering service improvements. The operational risks remain around complaint volumes should they begin to rise through an unforeseen circumstance or as a result of reduced staffing resources.

7.2 Vexatious complainants are a drain on resources both for the Service Improvement Manager who acts a single point of contact and the service areas (multiple service areas are usually involved) attempting to resolve the complaints. This is an issue which will remain despite the introduction of written procedures; however, clarity over the administrative arrangements is widely available which ensure all services are aware of the procedure for dealing with these complainants.

7.3 Housing Ombudsman Complaint Handling Code has been introduced from July 2020. The Code provides a framework for effective complaint resolution by landlords and will help to create a positive complaint handling culture for the benefit of both landlord staff

and residents. Currently, senior management is undertaking a review of the code and its compliance. There may be some changes from January 2021 that could impact the acceptance and responding times of complaints.

## **8. Financial, legal, equalities, climate emergency and other implications**

### **8.1 Financial implications**

There are no significant financial implications arising from this report.

Colin Sharpe, Deputy Director of Finance, Ext 37 4081

### **8.2 Legal implications**

There are no direct legal implications although changes are likely for 2021 given the Housing Ombudsman's introduction of the Handling code.

Kamal Adatia, City Barrister and Head of Standards, Ext 37 1401

### **8.3 Equalities implications**

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The Equality Act 2010 also requires that reasonable adjustments be made so that disabled people can access services as far as reasonable on the same terms as non-disabled people. This duty is on-going and anticipatory and, therefore, reasonable and proportionate steps to overcome barriers which may impede people with different kinds of disabilities. In making reasonable adjustments, a service provider should not wait until a disabled person wants to use their services, they must think in advance about what people with a range of impairments might reasonably need.

There are no direct equalities implications arising from the report as the report is to provide an update, rather than for decision. Having an effective complaint procedure helps to deal with complaints quickly, fairly and consistently. Having a range of contact options for complainants to make their complaints the council aims to meet the needs of its service users in accessing the procedure.

It provides an opportunity to gather valuable customer insight, it also has the potential to help make improvements that lead to increased customer satisfaction for service users from across all protected characteristics.

Surinder Singh, Equalities Officer Tel 37 4148

#### **8.4 Climate Emergency implications**

There are no significant climate change implications associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

#### **8.5 Other implications**

None

#### **9. Background information and other papers:**

None

#### **10. Summary of appendices:**

N/A

#### **11. Is this a private report No**

#### **12. Is this a “key decision”? No**



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## **Counter Fraud Mid-Year Update Report 2020**

Audit and Risk Committee

Date of meeting: 24<sup>th</sup> of November 2020

Lead director: Alison Greenhill

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## Useful information

- Ward(s) affected: All Wards
- Report author: Stuart Limb (Corporate Investigation Manager)
- Author contact details: (0116) 454 2615 / 37 2615 [stuart.limb@leicester.gov.uk](mailto:stuart.limb@leicester.gov.uk)
- Report version number: Version 3

### 1. Summary

- 1.1 The purpose of this report is to provide a mid-year update to the Audit and Risk Committee on the work carried out by the Corporate Investigations Team for the period 1 April 2020 to 30 September 2020.

### 2. Recommended actions/decision

The Audit and Risk Committee is recommended to:

- a) Receive and comment on the report
- b) Make any recommendations it sees fit to the Executive and/or the Director of Finance.

### 3. Background

- 3.1 This report includes statistical information on fraud cases identified, referred and, where appropriate, investigated by the Corporate Investigations Team. A report on the Council's counter fraud activity was presented to the Audit and Risk Committee on 22 July 2020 and therefore this report seeks only to update Members on statistical information where it is available.
- 3.2 As part of its work, the Corporate Investigations Team investigates suspected financial irregularities and makes recommendations to reduce the risk of further losses and improve performance, efficiency, effectiveness and economy in the use of resources by the Council.
- 3.3 The work focus during the first half of the financial year has been redirected to provide counter fraud measures associated with the delivery of the Government's support schemes for local businesses as a result of national and local lockdowns during the coronavirus pandemic.

### 4. Detailed report

- 4.1 During the period covered by this report the Corporate Investigations Team (CIT) have been primarily focused on reactive work as a result of the Coronavirus and associated support schemes. Primarily the work has been the Business Support Grants schemes which saw grants of circa £80m issued by Leicester City Council to local businesses affected by the national and local lockdowns.

- 4.2 A total of 8,458 applications were received from local businesses for financial support. 6,478 applications were received under the main Business Support Scheme, 630 under the discretionary scheme and 1,350 applications were submitted by local businesses under the extended lockdown scheme. As part of these schemes the authority devised and implemented a thorough application process which required documentary evidence to be provided before payments were made.
- 4.3 The bank statements provided as part of the process were verified via the services of a credit reference agency. This allowed an independent check to confirm the validity of the bank account and ownership of the accounts to minimise the risk of losses to fraud. In addition, further verification checks were carried out by utilising the Spotlight tool which was hosted by the Cabinet Office. This IT application confirmed the current trading status and holds the details of the support claimed by the businesses.
- 4.4 As a result of the preventative measures put in place and post payment validation checks to date, suspected criminal investigations into Business Support Grants applications and payments are underway.
- 4.5 The authority also benefitted from membership of the National Anti-Fraud Network (NAFN), which alerted members to phishing emails purporting to be from the business owners which were attempting to obtain unique business account reference numbers. Had these numbers been released this would have assisted the perpetrators to submit false applications. All these requests were refused, and no payments were made.
- 4.6 The team also supported the business grant account fund reconciliations and leads the on-going post payment assurance process required by the Government.
- 4.7 The CIT continues to work across the authority to reduce the risk of loss and fraud; this is a collaborative approach for example verifying Right to Buy (RTB) applications for council homes. All RTBs are subject to background checks and where irregularities or concerns are raised the issues are addressed by Legal Services, the RTB team and corporate investigations. This not only identifies irregularities but provides a higher level of assurance for sales to tenants.
- 4.8 For the period covered by this report the combined loss avoidance and income generated savings is £570,000.

## 5. Review of Performance

- 5.1 Statistical information on service demand and associated activity for April to September is detailed in the table below.

<b>Registered</b>	149
<b>Screened out</b>	75
<b>Investigations proven</b>	13
<b>Investigations In Progress</b>	145
<b>Cautions Accepted</b>	0
<b>Administrative Penalties Accepted</b>	0
<b>Prosecutions - Successful (Guilty)</b>	0
<b>Total files with Solicitors</b>	4

## 6 The Year Ahead

- 6.1 The report presented to the Committee on 22 July 2020 outlined the major objectives for the Corporate Investigations Team over coming months. The team will continue to undertake reactive and proactive investigations including data matching exercises to identify and reduce the risk of fraud.
- 6.2 The authority will be required to upload data to the National Fraud Initiative (NFI) portal at the end of October 2020 for matching with other authorities. Matches will be released for checking at the end of January 2021 which will require work to be carried out by the relevant service areas to check the matches. Where fraud is suspected referrals will be made to the Corporate Investigations Team.

## 7. Financial, legal, equalities, climate emergency and other implications

### 7.1 Financial implications

Fraud can cause the Council significant loss; hence activity to prevent and detect fraud is a clear financial investment and a key component of good financial control and governance.

Colin Sharpe  
Deputy Director of Finance

### 7.2 Legal implications

Fraud is a criminal offence and therefore represents breach of the law. Other forms of financial irregularity, though not criminal, may be in breach of regulation. The conduct of counter-fraud work of all kinds is bound by law and regulation and the Council is careful to ensure that its activities in this area are properly discharged.

Kamal Adatia  
City Barrister & Head of Standards

### 7.3 Equalities implications

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The report provides a mid-year update to the Audit and Risk committee on the work carried out by the Corporate Investigations Team.

There are no significant equality and diversity implications arising from the report.

Surinder Singh, Equalities Officer

### 7.4 Climate Emergency implications

This report does not contain any significant climate emergency implications.

7.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

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**8. Background information and other papers:**

- LOCAL GOVERNMENT ACT 1972
- Leicester City Council's Anti-Fraud, Bribery and Corruption Policy
- Leicester City Council's Finance Procedure Rules
- Leicester City Council's Constitution
- Leicester City Council's Code of Conduct for Behaviour at Work
- Leicester City Council's Information Security Policy Statement
- Leicester City Council's Prosecutions Policy
- Leicester City Council's Investigators Code of Conduct
  
- Public Bodies Corrupt Practices Act 1889
  
- Chartered Institute of Public Finance & Accountancy (CIPFA) publication
- *Managing The Risk of Fraud*
- The Prevention of Social Housing Fraud Act 2013

**9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?**

**No**

**10. Is this a "key decision"?**

**No**

## **Audit and Risk Committee 24<sup>th</sup> November 2020**

### **Report of Leicestershire County Council's Head of Internal Audit & Assurance Service**

#### **Update on developments in local (external) audit arrangements**

#### **PURPOSE OF REPORT**

1. The purpose of this report is to provide the Audit and Risk Committee (the Committee) with an update on developments in local (external) audit arrangements, that are associated with the Committee's responsibilities.

#### **RECOMMENDATIONS**

2. The Committee is asked to note the outcome of the Redmond Review and other developments in local (external) audit arrangements that are associated with the Audit & Risk Committee's responsibilities

#### **SUMMARY**

3. A series of large scale corporate governance and financial failings in both the private and public sectors e.g. Carillion, BHS and Northamptonshire County Council, and criticisms of the roles taken by auditors prompted a number of reviews of audit and governance arrangements in all sectors.
4. At its meeting on 20<sup>th</sup> November 2019, the Audit and Risk Committee received a report providing information on a number of consultations that were underway, the findings of associated reviews and other developments and informed the Committee of the Council's plans to respond.
5. The responsibilities for how local authority audits are conducted is set down within the Local Audit and Accountability Act 2014. In June 2019 Sir Tony Redmond was asked by the Ministry of Housing, Communities and Local Government (MHCLG) to undertake an independent review of the effectiveness of local (external) audit and the transparency of local authority financial reporting. Announcement of the review met the MHCLG's commitment to undertake a post implementation review of the audit framework and financial reporting elements of the Act.

6. Redmond released his review report on 8 September. In short, he found the current local audit arrangements not fit for purpose and he made a number of recommendations some of which will require primary legislation but other more localised recommendations which could be implemented if chosen to do so. The general view amongst interested parties is that should all the recommendations be implemented, the local audit experience should be much improved, but it may come at some additional cost.
7. Almost in tandem to Redmond, the National Audit Office (NAO) consulted on changes to the Code of Audit Practice and associated guidance to local auditors in support of the Code, to which auditors must have regard when carrying out their work. The Code must be reviewed, and revisions considered at least every five years.
8. The new Code came into force in April 2020. Among the changes adopted are the inclusion of additional narrative commentary by auditors to explain how audited bodies are improving value for money (VfM), along with greater attention to financial sustainability and governance. Redmond commended this improvement. The outcome of the consultation on this major change has recently been issued. Responses were on the whole positive but there is a risk that the extra work needed to form a more robust VfM opinion will increase fees. Audit work under the new Code will begin from the 2020-21 financial year onwards, meaning the first Auditor's Annual Reports will be issued in 2021.
9. Recommendations arising from other reviews of audit arrangements at the time (Kingman, the Competition and Markets Authority and Brydon) were evaluated and reflected in Redmond's review and report.
10. This report is for information only as an update one year on, because it is evident that the Council's officers and members will need to evaluate a lot of detail and agree on whether localised Redmond recommendations are accepted and the impact of changes to auditors' responsibilities under the new Code of Audit Practice.

## **REPORT**

### **Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond review)**

11. The guiding principles of the Redmond Review were accountability and transparency asking questions such as how are local authorities accountable to service users and taxpayers; how are auditors accountable for the quality of their work; how easy is it for service users and taxpayers to understand how their local authority has performed and what assurance they can take from external audit work.
12. The review team received 156 responses to 'Calls for Views' (including from the City Council) and carried out more than 100 interviews. Interested parties included local government practitioners, audit firms, professional accounting bodies, academia and the media and the general public. The review report (83



pages) was published on 8<sup>th</sup> September 2020. Substantial evidence collated from the 'Call for Views' and individual stakeholder meetings formed the basis of the report's findings. It contains an Executive Summary and 19 recommendations that are applicable to larger sized local authorities. It is broken down into 4 key component areas: -

- a. The direction, regulation, procurement and performance of local (external) audit: Sections 2-4
- b. Governance arrangements in place locally for responding to audit recommendations: Section 5
- c. Audit work on the financial resilience of local authorities: Section 6. – (This links to the next section in this update report on the new Code of Audit Practice (2020) and associated Audit Guidance Notes (AGN) in particular AGN 03 which sets out how local auditors are expected to approach and report on their Value for Money (VfM) work).
- d. Financial reporting in local government: Section 7

A further section (8) covers issues related to smaller audits, including parish/town councils that councillors may be interested to note.

### **Summary of Key Findings – note these may not be applicable to the City Council**

13. **The direction, regulation, procurement and performance of local (external) audit** – the review found there is a lack of coherence in local audit arrangements. Currently there are six different entities with a statutory role in overseeing and/or regulating elements of the local authority accounting and audit framework including regulating the quality, price and effectiveness of external audit. However, none of the six entities has a statutory responsibility, either to act as a system leader or to make sure that the framework operates in a joined-up and coherent manner. A very high percentage of respondents and stakeholders who were interviewed, expressed a preference for a single regulatory body. Additionally: -
  - a. Almost all education authorities responding questioned auditors qualifying their VfM opinion solely because of an “inadequate” Ofsted rating. There was no evidence of reports by other inspectorates leading to modifications to the auditor’s opinion. The review thought auditors should engage more with other inspectorates to discuss reports or take into consideration any improvements that a local authority may have made since an inspectorate rating had been issued
  - b. The report raised concerns at various points regarding the balance of audit price and quality. Audit fees in the local authority sector have dropped significantly at the same time that fees in other sectors have significantly risen. Overall levels of audit fees have dropped significantly from 2014/15, whilst fee variations have increased, much to local authorities concerns. Evidence gathered suggested that the cost of local audit is 25% lower than is required to fulfil current local audit requirements. As a result the quality of auditors has reduced. A very high proportion of local authorities think that the current procurement process does not drive the right balance between cost

reduction, quality of work, volume of external auditors and mix of staff undertaking the work

- c. There is concern that outside of the Key Audit Partners, auditors do not have sufficient experience or knowledge of local authorities. The two areas of particular concern were the knowledge and continuity of working level audit staff and whether audit work always covered the most important areas of the accounts from a financial resilience and service user perspective. Underpinning the concerns about the quality and continuity of working level audit staff is a concern that there are not enough audit examiners with local authority expertise, and that this is an area in which accountancy trainees no longer wish to specialise
- d. Internal Audit is not used much by External Audit as the Code of Audit Practice does not require them to liaise with internal audit work although there is a feeling that they could assist.
- e. For the first time in 2019-20, having insufficient qualified individuals to deliver all audits at the appropriate time was included as a reason for some of the delays in audit opinions being issued by the statutory publication deadline.
- f. There is a large expectation gap between what local authorities expect a VfM opinion should provide and what it actually provides. The VfM conclusion is viewed by many local authorities to be an exercise with limited use to them as it is too retrospective and often states what the local authority often already knows.

14. **Governance arrangements in place locally for responding to audit recommendations** – the review questioned whether on the whole Audit Committees are equipped to provide effective challenge to Auditors or Statutory Officers in an effective way. Additionally: -

- a. There are relatively low numbers of independent Audit Committee members
- b. In practice the auditor tends to present matters to the Audit Committee, which decides if a matter is serious enough to be referred to Full Council. Whilst most local authorities feel that this arrangement is appropriate, the review identified some bad examples where external auditors had insights from their work, that could have provided assurance to Elected Representatives whether their local authority was not being run effectively. The review suggests that the external auditor should report to Full Council on risks identified and conclusions reached, in a transparent and understandable format.
- c. The review questioned the role of the 3 statutory officers in relationship to audit – do they engage with auditor together on an informal or formal basis and how regularly
- d. Not always the expertise in local authority finance departments in completing the accounts process.

15. **Audit work on the financial resilience of local authorities** – this section of the report attempts to draw a definition of financial resilience, including drawing reference to potential risks to it, such as commercialisation agendas. Section 6.3 reviews the audit assessment of this resilience through judgement of going

concern and value for money (vfm) work. The report notes the need for a new model for England and refers to the AGN 03.

16. **Financial reporting in local government** - Section 7 raises questions and concerns regarding the format and usefulness of local authority statement of accounts and that they are complex and challenging for a service user or other taxpayer to understand. The current arrangements do not allow for the public to understand the accounts and more can be done to improve transparency of what local authorities do. The focus of audit on areas of technical not cash or budget nature, such as Property, Plant and Equipment and depreciation is considered over complex. The report identified three options to address this concern.
  - a. Review International Financial Reporting Standards (IFRS) as a basis for preparation of the accounts and move to cash accounting – not favoured due to concerns regarding lack of consistency.
  - b. Expansion and standardisation of the current narrative statement – again this is not favoured due to the expansion of potential audit coverage and no guarantee it would address the visibility or clarity of the statements.
  - c. Introduce a new summary statement – this is the favoured option and a number of examples are given for certain types of councils. These statements would still be subject to audit for consistency with the main statements

## **Review conclusions**

17. In summary, the review concluded that current local audit arrangements fail to deliver, in full, policy objectives underpinning the 2014 Local Audit and Accountability Act. The overriding concern was a lack of coherence and public accountability within the existing system. Redmond emphasised that for local audit to be wholly effective it must provide a service which is robust, relevant, and timely; it must demonstrate the right balance between price and quality; and be transparent to public scrutiny. He thought that the evidence is compelling to suggest that the current local audit service does not meet those standards.

## **Review recommendations**

18. The recommendations in the report centred on three aspects, namely: External Audit Regulation; Financial Resilience of local authorities and Transparency of Financial Reporting
19. External Audit Regulation
  - a. A new Office of Local Audit Regulation (OLAR) will be established and have responsibility for procuring, managing, overseeing and regulating local audits.
  - b. The current roles and responsibilities relating to local audits discharged by the six entities with a statutory role in overseeing and/or regulating

elements of the local authority accounting and audit framework will be transferred to the OLAR.

- c. A Liaison Committee will be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit
- d. The governance arrangements within local authorities should be reviewed by local councils with the purpose of: -
  - i. an annual report being submitted to full Council by the external auditor;
  - ii. consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee;
  - iii. formalising the facility for the Chief Executive Officer, Monitoring Officer and Chief Financial Officer to meet with the Key Audit Partner at least annually
- e. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
- f. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- g. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
- h. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.
- i. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
- j. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- k. The revised deadline for publication of audited local authority accounts be considered in consultation with NHS (England) and the Department of Health & Social Care, given that audit firms use the same auditors on both Local Government and Health final accounts work.
- l. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
- m. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

## 20. Financial Resilience of local authorities

- a. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.
- b. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.

## 21. Transparency of Financial Reporting

- a. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
- b. The standardised statement should be subject to external audit.
- c. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.
- d. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.

### **Post report publication and next stages**

22. Sir Tony Redmond has presented his review outcomes to a number of bodies with an interest in local audit arrangements amongst them audit firms, Public Sector Audit Appointments Ltd, the LGA and CIPFA. There has been general support for the direction of the recommendations from all institutions. CIPFA (the professional public finance accountancy body which maintains four statutory codes that local authorities are required to 'have regard to') has a view that if the recommendations are fully implemented, and there is some primary legislation required to do that, then there will be a better audit service although changes will take time to bed in. The passage of time could however be a significant risk if audit firms choose to withdraw from an already fragile market.
23. At the recent CIPFA conference, Redmond revealed that the MHCLG had reacted generally positively to his recommendations. He couldn't guarantee how the department will react to individual parts of the report, but he had been given assurance that it would be taken extremely seriously by the department ministers.
24. Whilst some of his recommendations (creation of the new regulatory body and liaison committee, changing the audit deadline etc) will require primary legislation, Redmond considers many of the recommendations around governance could be considered in the short-term. These include: -
  - a. training of local authority audit committee members
  - b. the appointment of independent members
  - c. how could Key Audit Partners report to full council
  - d. CIPFA could look at a simplified statement of accounts and induction and training
  - e. CIPFA/LASAAC could review the statutory accounts
  - f. audit firms could review how they can conduct their work in the future and how to ensure they get the necessary training and support to the individuals who are engaged in local audit

25. Officers and members of the City Council will need to fully understand and debate all options relating to the review outcomes and recommendations to fully understand the implications. A further report will be brought to Audit & Risk Committee in due course.

### **The new Code of Audit Practice (2020)**

26. The 2014 Local Audit and Accountability Act makes the National Audit Office (NAO) under the leadership of the Comptroller and Auditor General (C&AG) responsible for the preparation and maintenance of the Code of Audit Practice (the Code) and gives the C&AG power to issue guidance to auditors in support of the Code, to which auditors must have regard when carrying out their work. The Code must be reviewed, and revisions considered at least every five years.
27. In April 2020 a new Code of Audit Practice came into force and consultation started shortly afterwards on its application and guidance for 2020/21 audits. The abovementioned Redmond Review included reference to the Audit Code. Consultation on the associated Auditor Guidance Notes closed early September 2020.
28. The C&AG has retained a single Code covering the audit of different types of local public body. This reflects the fact that the core statutory responsibilities placed on the auditors of the different types of local public body covered by the Code are essentially the same. The Code continues to take a principles-based, rather than a rules-based approach. A principles-based approach helps to ensure that the Code does not become out of date as the regulatory environment evolves. It allows the auditor to adopt a flexible approach that is responsive to sector developments and to the specific circumstances faced by the audited body.
29. The new Code of Audit Practice puts greater emphasis on timely and effective reporting by local auditors. Its focus on the areas that are important to local bodies will help them to strengthen their arrangements for securing value for taxpayers and provide transparency and accountability for the public on how well their money is being spent.
30. The revised code will focus even more on auditors obtaining assurance of organisational efficiency. Among the changes adopted are the inclusion of additional narrative commentary by auditors to explain how audited bodies are improving value for money, along with greater attention to financial sustainability and governance. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the new code requires auditors to issue a commentary on each of the key criteria of financial resilience, governance and economy, efficiency and effectiveness. This will allow auditors to tailor their commentaries to local circumstances.
31. However, the proposed work on value for money, including the emphasis on more impactful reporting, will likely require greater audit resource, as well as a

higher skill mix. It will be important for the NAO to provide guidance on the indicative likely range of days and specialist skill input required. This will help to manage the expectations of local bodies before auditors begin work on new year audits.

32. The NAO consulted on the detailed statutory guidance that will support auditors to deliver work under the new Code. The consultation on Auditor Guidance Note 03 (AGN 03) Auditors' Work on Value for Money (VFM) Arrangements was launched on 10th June 2020 and closed on 2nd September 2020. AGN 03 is 18 pages long and extremely detailed guidance.
33. The consultation outcome has only recently been released (mid-October) but seems to have been positively received. In summary (extracted from the response document):
  - a. respondents agreed that the scope of proper arrangements covers the key areas of focus within the public sector that auditors should consider and that this would help to improve consistency and quality of assessments. Some useful suggestions were made to help tighten the scope further.
  - b. There was strong support from respondents that it was helpful to define whether a weakness in arrangements is significant for both the auditor, and to aid the body's own understanding. Respondents were broadly supportive of the characteristics and illustrative examples.
  - c. There was agreement from respondents that the characteristics of a significant weakness are helpful. There was also general agreement that the examples to help consider whether or not a weakness is 'significant' are helpful
  - d. Under reporting, respondents were generally supportive of the considerations for deciding how to report a significant weakness
  - e. Very important was that respondents were generally supportive of the move to a commentary-based approach and recognised the objective to provide more meaningful reporting, where respondents stated this would provide a clearer focus for discussions with senior management and boards
  - f. Nevertheless, there were some concerns regarding the impact on the audit fee and capacity of auditors and that the commentary should not be just a description of what auditors have done.
34. AGN 03 contains two new important specific references to Audit Committees.
  - a. Firstly, when reporting on the local body's arrangements to secure economy, efficiency and effectiveness in its use of resources, the 2020 Code requires auditors to consider whether the body has put in place 'proper arrangements'. In terms of 'Governance', the body should ensure that it makes informed decisions and properly manages its risks, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.
  - b. Secondly, the guidance advises that a weak or ineffective audit committee that fails to provide appropriate challenge or hold officers

and members to account, could illustrate a significant weakness in the body's governance arrangements.

35. The NAO's primary goals are to ensure that auditors are commenting publicly on key areas such as financial sustainability and governance, and for auditors to provide more timely and meaningful reporting that helps bodies understand what auditors see as the high priority issues so that they can take action. This could have implications for both the resources local auditors may need and the skill mix they may need to deploy.
36. Implementation of AGN 03 should provide clarity and consistency to VfM opinions.
37. The Committee will be kept informed of any changes

#### **Other developments relating to the wider external audit field**

38. Whilst the updates above are specifically relevant to the local government sector, in the past three years, three independent reviews were published on elements of the statutory audit framework. Whilst the Kingman Review made specific recommendations regarding the local audit framework, the Competition and Markets Authority Study and the Brydon Review were solely focussed on the audit of Public Interest Entities (listed companies or entities with listed debt). Ministers have yet to decide whether/how to take forward all recommendations made by these reviews.
39. However, given that local authority audit is delivered by assurance practices that undertake both public and private sector audits and conducted in accordance with a common set of quality standards, some of the recommendations made by these reviews may be relevant to the future of local audit.
40. The Redmond Review listed the relevant recommendations made by all three reports and commented on how it had addressed them and/or how they may impact on the future of local authority audit.
  - a. 'The Independent Review of the Financial Reporting Council (FRC)' – the Kingman review was concluded in December 2018. The FRC regulates auditors, accountants and actuaries in the UK, sharing this responsibility with the professional membership bodies. The review recommended that the FRC be replaced with an independent statutory regulator, accountable to Parliament, with a new mandate, new clarity of mission, new leadership and new powers. The new regulator would be called the Audit, Reporting and Governance Authority.

Redmond concurred with four relevant recommendations and expanded two of them. One other was outside of scope.

- b. 'Statutory Audit Services Market Study', final report, April 2019. The Competition and Markets Authority (CMA). recommended changes to



the statutory audit market that will impact on local audit. This review also made a specific recommendation that audit committees should come under greater scrutiny by the new regulator (see Kingman). This should increase accountability of audit committees. This recommendation could translate into the public sector and local government.

Redmond commented on four recommendations mostly with concern that the CMA proposals could affect the local audit market which is already fragile.

- c. 'Independent review into the quality and effectiveness of audit' (the Brydon review). The review was commissioned in response to the perceived widening of the "audit expectations gap" - the difference between what users expect from an audit and the reality of what an audit is and what auditors' responsibilities entail. Recent company failures have brought this gap into greater focus. There may be an additional gap between the information users of audited accounts believe is needed and what is available to them through audited financial statements or other publicly available information. A report to the Secretary of State for Business, Energy and Industrial Strategy is expected by the end of 2019.

Redmond was fairly even in agreeing to or asking for further detail over twenty recommendations that aligned to its review. However on one Brydon recommendation, 'creating a separate new audit profession', Redmond was concerned that it has the potential to have a significant impact on the sustainability of the local authority and indeed the wider public sector audit market. Government and the proposed local authority audit regulator (OLAR) may need to consider whether the proposed corporate audit profession would continue to generate skills that are transferrable for public sector audit. If not, and it develops as suggested by Brydon, there is a risk that local audit market could come under even more stress. If skills are transferrable, consideration will need to be given to how to ensure that members of the new corporate audit profession retain the skills, knowledge and expertise to deliver high quality local authority audits.

41. The position with these other reviews will continue to be monitored and reported to Committee.

#### **Financial Implications:**

42. There are no resource implications arising directly from this report at this stage, although there is a potential for higher external audit fees and accounts preparation costs in future years. (Colin Sharpe, Deputy Director of Finance, x37 4081)

### **Legal Implications:**

43. The proposals in the recent review call for some potentially significant changes to how Audit & Risk Committee perform their functions. Further reflection and analysis will follow, after which time we can consider any local Constitutional implications, as well as any national ones. (Kamal Adatia, City Barrister & Head of Standards, x37 1401)

### **Equal Opportunities Implications**

44. None

### **Climate Emergency Implications:**

45. None

### **Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?**

46. No

### **Is this a “key decision”? If so, why?**

47. No

### **Background Papers**

Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond review)

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/916217/Redmond\\_Review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf)

The new Code of Audit Practice (2020)

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

Auditor Guidance Note 03 (AGN 03) Auditors' Work on Value for Money (VFM)

<https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/06/New-draft-AGN-3-For-consultation-final.pdf>

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