

Leicester  
City Council

**PLEASE NOTE – a briefing session will be held for Committee Members,  
4.45pm – 5.30pm in meeting room G01.**

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

**DATE: WEDNESDAY, 19 JULY 2023**

**TIME: 5:30 pm**

**PLACE: Meeting Room G.01, Ground Floor, City Hall, 115 Charles  
Street, Leicester, LE1 1FZ**

#### **Members of the Committee**

Councillor Kaur Saini (Chair)

Councillor Surti (Vice-Chair)

Independent Member Mr Bipun Bhakri

Three unallocated Labour Group places

Three unallocated opposition places

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

for Monitoring Officer

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- ✓ where filming, to only focus on those people actively participating in the meeting;
- ✓ where filming, to (via the Chair of the meeting) ensure that those present are aware that they may be filmed and respect any requests to not be filmed.

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## **PUBLIC SESSION**

### **AGENDA**

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#### **1. APOLOGIES FOR ABSENCE**

#### **2. DECLARATIONS OF INTEREST**

Members will be asked to declare any pecuniary or other interests they may have in the business to be discussed.

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

**Appendix A**  
**(Pages 1 - 12)**

The minutes of the meeting held on 15<sup>th</sup> March 2023 are attached and Members will be asked to confirm that the minutes are a correct record.

#### **4. MEMBERSHIP OF THE COMMITTEE**

Members will be asked to note the membership of the Committee for 2023-24 as follows:

Councillor Kaur Saini (Chair)  
Councillor Yasmin Surti (Vice-Chair)

3 Labour places to be notified  
3 opposition places to be notified

Mr Bipon Bhakri Independent Member

#### **5. TERMS OF REFERENCE**

**Appendix B**  
**(Pages 13 - 18)**

Members will be asked to note the Terms of Reference for the Committee as attached and approved at Full Council on 6<sup>th</sup> July 2023.

#### **6. SCHEDULE OF MEETINGS AND WORKPLAN**

Members will be asked to note the meeting dates of the Committee for the 2023-24 municipal year:

- Wednesday 27<sup>th</sup> September 2023
- Wednesday 22<sup>nd</sup> November 2023
- Wednesday 17<sup>th</sup> January 2024
- Wednesday 13<sup>th</sup> March 2024

All meetings to commence at 5.30pm and to be held at City Hall.

Please note Members of the Committee will be required to undertake regular training and/or briefing sessions which will be scheduled to take place prior to the main meetings from 4.45pm.

**7. DRAFT STATUTORY STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2022-23** **Appendix C**  
**(Pages 19 - 254)**

The Director of Finance submits a report providing an opportunity for the committee to consider the Council's Draft Annual Statement of Accounts and Annual Governance Statement for 2022-23 before they are brought back to committee for formal approval.

The report also provides an update on the progress of the external audits for 2020-21 and 2021-22.

The committee will be invited to note the contents and make any comments on the report.

**8. PROGRESS AGAINST INTERNAL AUDIT PLANS 2022-23 AND 2023-24 AND THE INTERNAL AUDIT ANNUAL REPORT 2022-23** **Appendix D**  
**(Pages 255 - 312)**

The Head of Internal Audit and Assurance Service submits a report providing a summary of progress against the 2022-23 and prior year Internal Audit Plans together with an Annual Report on internal audit work conducted during 2022-23.

The Committee will be invited to note the contents and make any comments on the report.

**9. NATIONAL FRAUD INITIATIVE UPDATE 2022-23** **Appendix E**  
**(Pages 313 - 318)**

The Corporate Investigations Manager submits a report providing an update on the National Fraud Initiative (NFI) exercises currently underway.

The Committee will be asked to note the contents of the report and make any comments.

**10. EQUAL PAY AUDIT 2022** **Appendix F**  
**(Pages 319 - 334)**

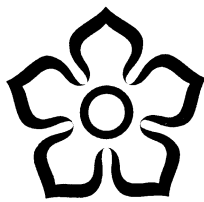
The Director of Delivery, Communication and Political Governance submits a report providing an overview of the outcomes of the Equality Pay Audit conducted in May 2022 by an independent specialist.

The Committee will be asked to note the contents of the report and make any comments.



**11. ANY OTHER URGENT BUSINESS**





Leicester  
City Council

# Appendix A

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

Held: WEDNESDAY, 15 MARCH 2023 at 5:30 pm at City Hall

### P R E S E N T :

Councillor Kaur Saini (Chair)

Councillor Dr Moore (Vice Chair)

Councillor Cassidy

Councillor Pantling

Councillor Whittle

Mr Bapon Bhakri – Independent Member

\* \* \* \* \*

#### **43. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Valand.

#### **44. DECLARATIONS OF INTEREST**

Members were asked to declare any pecuniary or other interests they may have in the business on the agenda.

Councillor Dr Moore declared an Other Disclosable Interest in the Risk Management update as a close family member works in the library service and was undertaking a grievance process, Councillor Dr Moore indicated she had strong opinions as regards the risk management item as a result. On the basis of her strong opinion, as it was likely to prejudice her judgement of the public interest Councillor Dr Moore was therefore advised to withdraw from the meeting at that point of discussion. Councillor Dr Moore agreed to withdraw at the relevant point.

Councillor Pantling declared an Other Disclosable Interest in the Internal Audit update as there was mention of Rolleston School which was within the Eyres Monsell ward where she was the ward councillor. In accordance with the Council's Code of Conduct the interest was not considered so significant that it was likely to prejudice Councillor Pantling's judgement of the public interest and she was not therefore required to withdraw from the meeting during consideration and discussion on the item.

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

It was noted that due to a technical issue the minutes of the meeting held on 22nd November 2022 were not before the committee at the last meeting and although published had not been brought for confirmation.

**RESOLVED:**

1. That the minutes of the meeting held on 18<sup>th</sup> January 2023 be confirmed as a correct record.
2. That the minutes of the meeting held on 22<sup>nd</sup> November 2022 be brought to the next meeting for confirmation.

**46. STATUTORY STATEMENT OF ACCOUNTS & ANNUAL GOVERNANCE STATEMENT 2021-22**

The Director of Finance submitted a report providing details of the audited Statement of Accounts along with the Annual Governance Statement.

The Chief Accountant introduced the report, reminding that progress updates had been regularly brought to the committee and noting that the delays in finalising the statement of accounts were due to a number of factors including a known national accounting issue involving infrastructure assets which had now been resolved.

Attention was drawn to the adjustments that had been made since the draft statement of accounts, which were largely due to the increased national focus on asset valuations. Full details of all adjustments were included in appendix C of the audit findings report and it was confirmed that none of the changes affected the money the Council had to run its services.

It was advised that due to the late sign off, more up to date pension liability information had been made available which had the potential to affect the accounts. This was a national issue, and conversations would take place with the external auditors around that. Again, this was not an issue that affected the money that the Council had available to fund its services. The Chief Accountant sought authority from the Committee to delegate the approval of any amendments regarding updated pension scheme liability information to the Director of Finance, subject to a report to the Committee at the next meeting.

Nicola Coombe, Senior Audit Manager, Grant Thornton gave an overview of the audit findings report and noted that on receipt of the latest government guidance regarding the temporary solution for infrastructure assets that this issue had now been resolved for the 21/22 accounts and the other items outstanding from November 2022 had now been resolved.

The list of adjustments required since the draft accounts (included in Appendix C of the Audit findings report), were referenced and there were 2 items which had been identified that the Council had elected not to make and those were set out in the letter of representation specifically amounting to £2.9 million in relation to asset evaluations.

Members of the Committee considered the report and raised a number of

points which included the following:

There were more adjustments/corrections than previous years. However, it was explained that some of these were largely as a result of the national issues discussed at previous meetings, although there were also some issues identified that the council would address through improved processes and training. The issues identified were largely in relation to property, plant and equipment, which the finance team would work with the estates and buildings team to address.

The Director of Finance acknowledged the points made and explained that through training and improved processes the Council would look to address these issues. It was advised that the finance officers were meeting with estates to explore checks and improvements to processes to pick up errors going forward.

Both the auditors and the finance officers were satisfied there was nothing significant in the changes since the last discussion and the auditors confirmed that the accounts gave a true and fair representation of the Council's accounts.

Members queried the audit recommendation made in relation to the Annual Governance Statement being considered to be light and asked how that would be perceived by the public. It was advised that there had been full discussion about this at the last meeting and the governance arrangements for the organisation were secure. In future the finance team would look to expand the statement to take account of the auditors recommendation for more qualitative information to be included. However, there were no concerns from the auditors about the organisation's governance.

Some members raised concerns about the service of papers for this item and it was suggested that reports should be available for the agenda setting meetings and that the deadline for reports should be met in future.

Members were reminded that hard copies were posted using the docmail system, in addition to all documents being emailed to all of the members of the committee to ensure that there was opportunity for all to read the papers in advance.

It was advised that the deadlines around completion of the audit and accounts was tight especially this year with the delay to the audit process and waiting for legislation and government guidance to be issued.

Members were reminded that the audit report highlighted in this meeting was brought to the November 2022 meeting along with the statement of accounts, so this report was only talking about the changes since that time.

The Chair thanked everyone for their comments.

It was moved and seconded that:

- the Statement of Accounts 2021/22 be approved;

- the Annual Governance Statement 2021/22 be approved;
- the letter of representation submitted by the Director of Finance (s151) be approved;
- the Director of Finance have authority to approve any amendments to the Annual Accounts resulting from the updated pension scheme liability information;
- the Director of Finance have authority to approve any minor amendments to the Annual Accounts and the Annual Governance Statement, subject to a report to the Committee at the next meeting;

Upon being put to the vote there were 3 votes in favour and 2 abstentions, and the above recommendations were CARRIED.

#### RESOLVED:

1. That the auditors ISA 260 Report (the Audit Findings Report) to those charged with Governance and the recommendations contained within it at Appendix A be noted;
2. That the Statement of Accounts 2021/22 be approved;
3. That the Annual Governance Statement 2021/22 be approved;
4. That the letter of representation submitted by the Director of Finance (s151) be approved;
5. That authority to approve any amendments to the Annual Accounts resulting from the updated pension scheme liability information be delegated to the Director of Finance, subject to a report to the Committee at the next meeting;
6. That authority to approve any minor amendments to the Annual Accounts and the Annual Governance Statement be delegated to the Director of Finance, subject to a report to the Committee at the next meeting;
7. That the further update on external audit fees from 2023/24 onwards and comments thereon be noted.

## 47. RISK MANAGEMENT UPDATE

18.25 Cllr Moore withdrew from the meeting during discussion of this item.

The Director of Delivery, Communications and Political Governance submitted a report providing an update on the Strategic and Operational Risk Registers as well as Health & Safety data.

The Risk Manager introduced the report providing an overview of the strategic risk register documenting the key strategic risks facing the council and how those were being managed together with the operational risk register process managed by the Divisional Directors and their divisional management teams risks that detailed risks associated with the daily business.

Members were reminded of the discussion last time and the approach taken to introduce the strategic risk register using the PESTLE analysis framework.

Members attention was drawn to the following points:

- The amended appendix 1a Strategic Risk Register (SRR) summary which indicated risk scores from the previous risk reporting period and showed there had been no change on the SRR ratings this reporting cycle. The amended document also now made the link to the Operational Risk Register (ORR) in the end column.
- A new socio-cultural risk was included at 3.4 of SRR, about the impact arising from the numbers and complexity of needs of asylum seekers and refugees which was scored high at 20.
- There were no new strategic risks identified under the Political theme since the last report was presented although the uncertain political and policy environment remained a significant red risk to the organisation.
- Appendix 2 indicated the number of high operational risks for each department/strategic area which affect the daily running of the business, and the in depth detail behind those risks were shown at Appendix 3.
- With regards the ORR, 27 existing risks had been amended, 6 deleted and 4 new risks added during this reporting period.

The Risk Manager then provided an update on Health and Safety data noting that a total of 171 incidents were reported this period, (compared to 189 incidents last time), of those 84 were reported as near misses, 6 were work-related illnesses and 81 were injuries. Compared to the same Q3 reporting period 2021-22 this represented a 33% decrease.

The Chair welcomed the report and invited members to consider the report which included the following comments:

There was discussion on the risks around financial sustainability, and it was suggested this should be more about the risk to delivery of services as opposed to the revenue that drives it. The Director of Finance advised that financial sustainability was included as a risk sitting at CEO level as it was seen as a risk for the council, and there was a general feeling that the council's income does not sustain and it was not just a problem that sits in finance.

In relation to the presentation of two registers, it was advised where those risks were connected and if treatment of a risk on the operational register was reducing the risk score this may have an impact on the scoring of the related strategic risk. Members requested that they be provided with a comparison to the previous risk register so they could see the horizontal movement as regards risks too.

In terms of IT systems and training around cyber risk that was included on the risk registers at 4.3 although it did not specifically say "cyber". As regards IT being a high risk, it was confirmed that with external factors and changes in the technology industry this area was a high risk nationally and when that changed it would filter down through the organisation too.

Discussion moved on to the Health and Safety data presented and it was reminded that this information was provided as it formed part of the risk management. There was a focus on near misses and the report provided more

detail of what a near miss was. Management was required to act, liaising with Health & Safety officers and obtain advice to reduce likelihood of a near miss and to reduce the risk of an actual incident.

In relation to incidents of verbal abuse and verbal threats it was clarified that related to external people not other employees. Members asked whether the Health & Safety data around incidents of verbal abuse and threats captured details of race/gender. The officer was aware that a database was managed by the Health & Safety team and undertook to ask those questions.

The Chair thanked officers for the report.

**RESOLVED:**

1. That the Strategic Risk Register and Operational Risk Register update be noted,
2. That the Health and Safety data report be noted.

**48. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY AND POLICIES 2023**

18.51 Councillor Dr Moore re-joined the meeting.

The Director of Delivery, Communications and Political Governance submitted a report presenting the Risk Management and Business Continuity Policy Statements and Strategies which form an important part of the council's governance arrangements.

The Risk Manager introduced the report and outlined the risk management and business continuity policies and strategies, how the organisation dealt with internal incidents and the council's attitude to risk management.

Attention was drawn to the policy statements signed off by the City Mayor and Chief Executive Officer and the strategy document along with the key deliverables for the next year.

Members welcomed the report.

It was noted that the strategy indicated that all councillors should consider and challenge risk management implications as part of decision making and scrutiny process and there had been discussion previously of how members could contribute to this. The Director of Finance advised that she was due to discuss this further with the Monitoring Officer and take any proposals to the Corporate Board before bringing an update report to a future meeting.

Members were impressed with the explanation about the corporate incident response team and the assurance given about the 3-tier system put in place. Members referred to the Hinckley Road explosion and officers advised that was an external incident, so the major incident plan was involved. Members noted, senior officers were part of that incident working with emergency services who were the lead on the incident and those senior officers were very much part of



those major events and took over at the point of recovery. It was also noted that from that incident internal services would have been affected and so internal business continuity plans would have been invoked.

Members referred to the points made in the report around risk appetite (pg71) and appetite scores (app 2 pg 84). It was commented that risk appetite was really important and needed to connect to strategic risk registers with a link to operational registers, so managers knew what the boundary was for an activity. The Risk Manager replied that there would be activities that had to be carried out that were outside their control and therefore would be tolerated. Risk management training did cover this and included a toolkit which set out that some things could not be terminated. It was noted that risk appetite was different for every service area or project and so this was perhaps an “ideal”. Officers took on board the points made and agreed to look in more depth at that outside this meeting.

The Chair thanked everyone for their comments.

RESOLVED:

1. That the Corporate Risk Management Policy Statement and Strategy be noted,
2. That the Corporate Business Continuity Management (BCM) Policy Statement and Strategy be noted.

#### **49. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE REPORT**

The City Barrister and Head of Standards submitted a report advising on the performance of the Council in authorising the Regulatory Investigation Powers Act (RIPA) applications from 1<sup>st</sup> July 2022 to 31<sup>st</sup> December 2022.

The Director of Finance briefly introduced the report to the committee advising it was a requirement to bring this report twice a year to confirm what had taken place during the year. It was also noted that 3 new Authorising Officers had been trained bringing the total to 5 Authorising Officers for this area of work.

RESOLVED:

That the contents of the report be noted.

#### **50. INTERNAL AUDIT UPDATE REPORT**

The Head of Internal Audit & Assurance Service submitted a report providing:

- a. Summary of progress against the 2021-22 and 2022-23 Internal Audit Plans including:
  - i. Summary information on progress with implementing high importance recommendations
  - ii. Summary of progress against the Internal Audit Plans
  - iii. Commentary on the progress and resources used
- b. Progress with developing the Internal Audit Plan for 2023-24
- c. Planning for an external assessment of Leicestershire County Council's

## Internal Audit Service.

The Audit Manager introduced the report providing a summary of progress with implementing high importance recommendations noting that management responses were generally positive and there was recognition that some recommendations required more time to fully comply.

Members noted the current position as at 31<sup>st</sup> January 2023 showed 37 audits (including prior year) that were work in progress, since then 5 more audits had been finalised and 13 were at draft report stage, another 8 were progressing well. It was noted delays in obtaining information and client responses had caused a number of audits to be delayed and some cases were postponed during the year.

Members were also updated on progress with developing the Internal Audit Plan for 2023-24 as well as plans for an external assessment of Leicestershire County Council's Internal Audit Service to ensure overall conformance to the Public Sector Internal Audit Standards (PSIAS).

Members discussed the report which included the following points:

In terms of schools, it was clarified the audits only related to maintained schools not academies as they had slightly different arrangements and were governed by the Academies Financial Handbook although many of the principles were the same.

Members sought assurance around the grading of audit opinions and members were informed that once a case becomes partial assurance that's when it is reported to this committee. The position in time here was 31<sup>st</sup> January 2023 and more audits will have progressed since that time, but officers won't have the final detail at the moment.

Members were pleased to see the recommendation regarding emergency repairs and the programme of sample based evidence produced and looked forward to seeing the conclusions on that. The Audit Manager advised they would continue to follow that up until satisfied that the actions had been implemented and it was noted that it was important that the repairs team were taking action already to put things right.

As regards the number of audits postponed, replaced or cancelled it was confirmed that 5 were cancelled and a number of these were grant audits so might have originally been identified as an area that needed covering but it later came to light it doesn't require a grant audit. The Director of Finance also advised that a number were where the projects had been delayed or not happened and so an audit could not be done. However, if any audit was cancelled in this cycle and the project then went ahead the audit could happen on the next internal audit plan.

There was a brief mention of the audit around ward funding and whether members would have sight of those outcomes. The Director of Finance advised

that a report on ward funding expenditure was submitted to the Neighbourhood Services Scrutiny Commission during the year so that information was already in the public domain.

RESOLVED:

That the contents of the report be noted.

## **51. CORPORATE COMPLAINTS (NON-STATUTORY) 2021-22 REPORT**

The Director of Finance submitted a report providing an update on the corporate non-statutory complaints in 2021-22.

The Service Improvement Manager introduced the report and provided a summary of the management of complaints, including the new complaint handling process introduced for housing, information on complaints received and their outcomes, the reasons for complaints, lessons learnt and improvements.

It was noted that:

- 754 complaints were received compared to 671 in 20/21, an increase of 12.3%. Of the complaints received 328 were identified as a request for action or service request and forwarded to the service area to deal with e.g., to provide orange bags for recycling. The remaining 426 were investigated, compared to 249 the previous year, an increase of 71%.
- Service areas receiving the most complaints were within Housing Services, Revenues & Customer Support and also Planning, these accounted for 74% of the total complaints however these were also the service areas interacting with the greatest numbers of customers in demanding areas of Council business.

Members expressed concerns about the accessibility of the complaints system and it was suggested that it was inaccurate to say that people could complain by telephone as often constituents informed councillors they could not get through on generic numbers, in addition there was a section of the public who could not use computers and therefore relied on the telephone or to be able to speak to someone face to face. Members were advised that there was a project reviewing the online messaging process to try and improve customer experience and the concerns raised were noted.

Members welcomed the “Not in cards” within housing but there was criticism that those gave out an incorrect telephone number.

Members acknowledged that when housing repairs were delayed or cancelled the tenant was informed in a timely manner however it was suggested there needed to be more clarity for the tenant about when the work would take place to avoid them having to make calls. The Service Improvement Manager advised that the “not in” cards were as a result of a recommendation to improve the service and Housing Services were trying to improve and be supporting to tenants.

There was a brief discussion about vexatious complaints, and it was noted that there was a separate policy, members were interested to see more details about vexatious complaints and whether consideration was given to signs of someone having mental health issues. The Service Improvement Manager confirmed there was a policy for handling vexatious complainants and part of that process included having discussion with Adult Social Care to see if they were known and to try and help manage their conversations and try to support and understand their cause. Unfortunately, there was a tendency for those conversations to become very abusive, threatening and for targeted emails to come through so there was a process to provide a single point of contact.

As regards dealing with difficult people, it was noted that there were mechanisms in place for staff to offload, reflect and receive support.

Members were advised that the councillor enquiry system allowed matters to be tracked and they were encouraged to raise any matters on behalf of constituents there.

**RESOLVED:**

1. That the contents of the report be noted,
2. That a copy of the Vexatious Complainant Policy be shared with members outside the meeting.

**52. LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN AND HOUSING OMBUDSMAN COMPLAINTS 2021-22**

The Director of Finance submitted a report providing an update on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) and the Housing Ombudsman in 2021-22 and the actions taken.

The Service Improvement Manager introduced the report, providing background about the LGSCO and its annual report which outlined key national statistics and themes that provide a national picture of complaints to the Ombudsman together with details of the number of complaints for Leicester City Council, trends since 2021 and escalations.

Members noted that Leicester's number of complaints upheld was low at 60% and Leicester had maintained a 100% compliance with LGO recommendations so was doing very well.

Members also noted that Leicester continued to deliver an improved position on the number of recommendations received and "putting things right more often."

The Chair thanked officers for the report and invited members to comment.

Members queried whether the recommendation around Housing that the council update its policies had been brought to attention of Housing Scrutiny. Officers were not able to provide that response and agreed to raise it with the

scrutiny team to consider in their future work programme.

RESOLVED:

That the contents of the report be noted.

### **53. AUDIT AND RISK COMMITTEE'S ANNUAL REPORT**

The Director of Finance submitted the annual report of the Audit & Risk Committee setting out the committee's work and achievements over the municipal year 2022-23.

The Director of Finance introduced the report explaining the report would be taken to full council and highlighted the key changes and work done during the year.

The Director of Finance indicated that comments made during this meeting would be reflected in the final report, e.g., members requested improvements to continue to improve financial processes for when producing the Statement of Accounts.

Members noted para 4.2 of the report and queried who the monitoring Officer representatives were at meetings. The Director of Finance replied that depending on the report being brought to committee an appropriate officer would be tasked with delivering that from the Monitoring Officer's service area, such as The Risk Manager or the Corporate Investigations Manager and so on although there was not always a legal representative at each meeting. Members were reminded the democratic support officers present at each meeting also represented the Monitoring Officer to provide governance advice and support. Members suggested that it would be helpful to have a legal representative present at each meeting as this was a regulatory committee. The Director of Finance noted in the Terms of Reference the committee could request specific officers to attend.

Members referred to the Chair's role on the newly formed East Midlands Audit forum and commented that it would be useful to see how this committee had benefitted from that. The Chair responded that the forum had been established to share practice across the region with the aim of learning and improving. Compared to other areas Leicester was very good and the issues mentioned at other authorities were not replicated here.

Members suggested it would be helpful as a function of this committee to have a standing item for the Chair to provide feedback from that forum. The Chair favoured an end of year statement being produced which could capture the main points and the Director of Finance agreed to look into this.

RESOLVED:

1. That the contents of the report be approved subject to any final comments for inclusion referred to above,
2. That the final Audit & Risk Committee Annual report covering the period 2022/23 be presented to full Council,

3. That the Director of Finance explore with the Chair production of an end of year statement capturing the main points from the East Midlands Regional Audit Forum.

#### **54. ANY OTHER URGENT BUSINESS**

None notified.

As this was the last meeting of the municipal year the Chair thanked members for their input and extended thanks to the officers for their support to the meetings.

Councillor Pantling thanked the Chair for the way in which she had chaired the meetings throughout the year.

There being no further business the meeting closed at 8.05pm.

## **Governance & Audit COMMITTEE**

### **Terms of Reference**

#### **1. Constitution & Purpose**

The Governance & Audit Committee is a key component of the Council's corporate governance framework. The Committee reports to the Council and its purpose is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment, the integrity of the financial reporting and governance processes, and the arrangements for internal and external audit.

It fulfils the role of 'the Board' for the purposes of the Public Sector Internal Audit Standards.

The Terms of Reference of the Committee will comply with Part 4a of the Constitution unless explicitly detailed below.

#### **1. Membership**

The Committee shall comprise of eight non-executive elected Members, and up to two Independent Persons. A quorum of at least three Councillors will be required at all meetings. The Independent Person(s) shall be a non-voting co-optee of the Committee. The Committee must remain apolitical, displaying unbiased attitudes, treating auditors, officers, the executive, and management equally. The Committee shall decide whether to co-opt one or two Independent Persons, taking into account the recommendations of the Monitoring Officer.

#### **2. Attendance by officers**

The Director of Finance (S151) or their nominated officer(s) and the designated Head of Internal Audit Service shall normally attend meetings. There is a standing invitation to the Council's appointed External Auditor to attend all meetings.

Other officers who will attend as required, including at the request of the Chair.

#### **3. Frequency of meetings and agendas**

Meetings shall be held not less than four times a year.

#### **4. Duties**

The duties of the Committee shall be as set out in the annexed schedule to these Terms of Reference.

To support and assist Committee members undertaking their duties and extending their knowledge, regular briefings or training will be provided by officers.

#### **5. Authority**

The Committee has the responsibilities detailed in Annex 1. The Committee is authorised by the Council to investigate any activity

within its terms of reference.

It is authorised to seek any information it requires from any officer and all officers are directed to co-operate with any request made by the Committee. The Chair will advise the Chief Operating Officer as the Head of Paid Service if it has exercised this authority to seek information (other than routine information) from any officer, setting out the information required and the circumstances underlying the request.

The Committee is authorised by the Council, if considered necessary, to secure the attendance of third parties with relevant experience and expertise provided that the Chair notify the Chief Operating Officer as the Head of Paid Service before any fees for such attendance is agreed.

## **6. Accountability**

The Committee will undertake an annual review of its effectiveness (including where it has added value and supported improvement).

The outcome of this annual review and the Committee's activity will be reported to the Council each year.

## **Duties of the Governance & Audit Committee**

### **1. Audit Framework**

#### **1.1 Internal Audit**

- To fulfil the role of 'the Board' for the purposes of the Public Sector Internal Audit Standards (the PSIAS).
- To review and approve: -
  - The Internal Audit Charter which defines the purpose of the internal audit function.
  - The risk-based internal audit plan, including resource requirements.
  - The Head of Internal Audit Service's annual report containing an opinion on the overall adequacy and effectiveness of the Council's control environment, and conformance to the PSIAS.
- To receive regular reports on progress against the internal audit plan, containing activity undertaken, summaries of key findings, issues of concern and action in hand.
- To review conformance to the principles of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations, and to support any improvements required.
- To contribute to and support an external quality assessment of the internal audit function which is a requirement of PSIAS to take place at least once every five years.
- To review any proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.



## **1.2 External Audit**

- To consider, comment upon and note the arrangements chosen by the Council to select and appoint its statutory external auditor.
- To review the External Auditor's disclosure of independence and objectivity. To satisfy itself that no issues with compliance with ethical standards or problems with audit quality have been raised.
- To consider and note the annual audit fees letter and the assumptions supporting the fees.
- To consider the scope and depth of all external audit plans, reports and audit risk assessments.
- To consider the External Auditor's ISA 260 Report to 'Those Charged with Governance'. This contains:
  - key findings arising from the audit of the Council's financial statements.
  - the Auditor's assessment of the Council's arrangements to secure value for money (VFM) in its use of resources; and
  - the requirement for members of the Committee to authorise the Director of Finance to sign the letter of representation to the External Auditor from the Council in connection with the audit of the Council's financial statements.
- To note the External Auditor's annual report on the claims and returns certified for the Council.
- To ensure that non-audit work by the External Auditor is in accordance with the Council's *Policy for Engagement of External Auditors for Non-Audit Work* and report any such instances to the Council.

## **2. Counter Fraud and Investigations**

- To review and approve, on a triennial basis (unless significant changes in legislation or circumstances dictate otherwise), the Council's policy and procedures for: -
  - Anti-Fraud (including Bribery and Corruption)
  - Disclosure (whistleblowing)
  - Money Laundering
- To note the outcomes of any review of the Council's conformance to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- To receive and note reports on the performance of the counter fraud function and outcomes from the Council's participation in the National Fraud Initiative (NFI).
- To consider regular reports on the Council's application of the Regulation of Investigatory Powers Act (RIPA) and the outcomes of any inspections and approve the adoption of any related policies.

## **3. Statutory Financial Reporting**

- To review and approve the annual statutory statement of accounts and the annual Letter of Representation on behalf of the Council.
- To bring to the attention of the Council any concerns arising from the financial statements or from the audit.
- To receive periodic reports providing updates on accounting and financial developments.

#### **4. Risk Management and Insurance**

To review and challenge the adequacy and effectiveness of the Council's overall risk management framework, specifically to: -

- i. Consider and approve, on an annual basis, the Council's Corporate Risk Management Policy Statement & Strategy.
- ii. Consider and approve, on an annual basis, the Council's Corporate Business Continuity Management Policy Statement and Strategy, ensuring it is compliant with the statutory duties required by the Civil Contingencies Act 2004 and continues to align to international and national standards and good practice guidelines.
- iii. Review reports in respect of the status of key current and emerging risks and internal controls relating to those risks, including the Operational and Strategic Risk Registers and partnerships with other organisations.
- iv. Receive and note the annual report on the Council's insurance arrangements and its claims performance.

#### **5. Governance and Assurance Frameworks**

To satisfy itself that the Council's assurance statement including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives. The Committee's responsibilities are to: -

- i. Review the adequacy of the Council's assurance framework through the annual review of its system of internal control.
- ii. Review and approve the Council's Local Code of Corporate Governance prepared in accordance with the CIPFA/SOLACE Good Governance Framework and the statutory requirement for producing an Annual Governance Statement.
- iii. Note any reports providing updates on assurance, risk or governance related developments

#### **6. Complaints**

- To consider an annual report on complaints, including the Local Government and Social Care Ombudsman's annual review letter and recommendation.
- To consider and decide on appropriate actions relating to the Council's compliance with its own and other published or regulatory policies, Acts, standards and controls.
- To consider ad-hoc LGSCO reports.
- To consider any findings or recommendations from the Housing Ombudsman

#### **7. Procurement**

- To receive and note the annual report setting out the Council's performance against the Procurement Plan and compliance with the Contract Procedure Rules (including data on waivers).
- To consider any proposals for changes to the Rules to be made to Full Council and to review any changes to the Rules made by the City

Barrister or any changes to thresholds.

- To seek assurance that the Council has appropriate arrangements to identify and manage risks, ensure good governance, and obtain assurance on compliance in its procurement activity.

#### **8. Other Matters**

- To consider, approve or make recommendations in respect of any other matters referred to it by the City Mayor, Chief Operating Officer (as the Head of Paid Service) or a Director or any Council body.
- To consider any relevant matters reserved for Member-level decision as detailed in Rules of Procedure.



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## **Draft Statutory Statement of Accounts & Annual Governance Statement 2022/23**

Decision to be taken by: N/A

Date of meeting: 19th July 2023

Lead director: Amy Oliver

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## **Useful information**

- Ward(s) affected: All
- Report author: Ben Matthews
- Author contact details: [ben.matthews@leicester.gov.uk](mailto:ben.matthews@leicester.gov.uk)
- Report version number: 1.0

### **1. Summary**

- 1.1. To provide an opportunity for the committee to consider the Council's Draft Annual Statement of Accounts and Annual Governance Statement for 2022/23 before they are brought back to committee for formal approval.
- 1.2. To provide an update on the progress of the external audits for 2020/21 and 2021/22.

### **2. Recommendations**

- 2.1. The Committee is asked to note the contents of the report and make any comments.
- 2.2. The Committee is asked to consider the:
  - 2.1.1. Draft Annual Statement of Accounts for 2022/23 at appendix A.
  - 2.1.2. Draft Annual Governance Statement 2022/23 at appendix A.
  - 2.1.3. Informing the Audit Risk Assessment 2022/23 at appendix C.
  - 2.1.4. Indicative Audit Risks 2022/23 at appendix D.

### **3. Background**

- 3.1. 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. This is delegated to the Governance & Audit Committee by Council. For 2022/23, this deadline has been extended to the 30th September 2023 due to issues being experienced in the local authority audit sector. The draft accounts are therefore presented to this meeting for information and consideration, and will be brought to a future meeting for formal approval following the completion of the external audit.

### **4. Draft Annual Statement of Accounts for 2022/23**

- 4.1. 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.

4.2. 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.

4.3. The core financial statements are:

4.3.1. Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the authority. This statement distinguishes between "usable reserves" which can be used to fund expenditure or reduce local taxation and "unusable reserves" which are effectively accounting entries and not available to spend. The level of uncommitted general balances at 31st March 2023 was £15.0m, in line with the Council's financial strategy.

4.3.2. Comprehensive Income and Expenditure Statement (CIES)

This shows the Council's actual performance for the year in accordance with the Code of Practice. This means that the accounts are prepared on a different basis than that used to set the Council's budget and raise council tax. There are a number of statutory adjustments that are made to the surplus or deficit shown on this statement to arrive at the balance on the General Fund shown in the Movement in Reserves Statement above.

4.3.3. Balance Sheet

The balance sheet shows the net worth of the Council in terms of its assets and liabilities. It shows the net value of the organisation including the balances and reserves, its long-term indebtedness, and its fixed and net current assets employed in its operations.

4.3.4. Cash Flow Statement

This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the local authority context.

4.4. The Council's Draft Statement of Accounts were published on the website on the 2nd June 2023. The publication of the draft accounts fell very slightly behind the statutory deadline of 31st May this year, due to the knock-on effect of the delay in signing off the 2021/22 accounts.

4.5. The external audit is due to commence at the end of July. Any recommendations made will be reported to your committee, along with any alterations made to the draft Statement of Accounts.

4.6. Due to the issues being experienced in the local authority audit sector, the usual statutory deadlines have been extended and the final audited accounts are not required to be completed until the 30th September 2023. However, the accounts audit work cannot be completed until the Leicestershire County Council Pension

Fund has been audited. This audit is unlikely to be completed by 30th September 2023, which will impact the conclusion of the Council audit.

4.7. When producing the Statement of Accounts, a number of accounting estimates are used. These estimates rely on the professional judgement of experts in the relevant areas. As these estimates are material to the accounts it is important that the committee understand them and the impact on the accounts. For the Council the main estimates are:

- Property, Plant & Equipment – remaining useful lives, asset values
- Pensions Liability
- Fair Value of loans

4.8. The overall pension fund liability has reduced significantly, it is now no longer a liability and is shown as breaking even in the accounts (not an asset or liability). This is due in the main to the more recently expected longer term higher interest rates (reducing longer term liability), offset to some degree by higher inflation in the shorter term. The overall reduced liability estimate has no direct impact on the resources available to fund the Council.

4.9. These estimates are included in the Informing the Risk document at appendix C. Further detail on significant estimates in the accounts can be found in Note 5 (page 43) of the Statement of Accounts and at appendix B.

## **5. Draft Annual Governance Statement**

5.1. The Council is required to publish, as part of its financial accounts reporting, an Annual Governance Statement. This statement should assure the people of Leicester that the Council operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse. The draft Annual Governance Statement is being presented here for comment before final approval by this committee.

5.2. 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'.

5.3. It should be noted that in with the Audit Recommendation in the 2021/22 accounts, the Annual Governance Statement has been enhanced for 2022/23 to provide greater detail on how the Council ensures its governance arrangements in place are appropriate and adequate and are functioning effectively

## **6. Update on the progress of the closure of the external audit for 2020/21 & 2021/22**

6.1. As previously reported to the Committee, the closure of the 2020/21 audit and issuing the audit certificate was delayed due to the national accounting issue concerning the valuation of infrastructure assets (e.g. Highways and Footpaths). This has since been resolved and the audit certificate has now been issued and published on the Council's website. Due to the timing of when the 2020/21 audit certificate was issued, it also contains reference to items that have come to the auditor's attention throughout the 2021/22 audit.



**6.2.** A further update for the committee is the progress of the 2021/22 audit. The external audit opinion for the 2021/22 audit has been issued and the remaining item which needs to be concluded before the 2021/22 audit certificate can be issued is the Value for Money Opinion. Which is being progressed with a view to being finalised shortly.

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

### **6.1 Financial implications**

The report is exclusively concerned with financial issues.

### **6.2 Legal implications**

N/A

### **6.3 Equalities implications**

N/A

### **6.4 Climate Emergency implications**

N/A

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

N/A

## **7. 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	

## **8. Background papers:**

Revenue and capital outturn reports presented to the Overview Select Committee on 13th July 2023.

## **9. Summary of Appendices:**

Appendix A – Draft Annual Statement of Accounts & Annual Governance Statement 2022/23

Appendix B – Estimates – Key Assumptions

Appendix C – Informing the Audit Risk Assessment 2022/23

Appendix D – Indicative Audit Risks 2022/23

## **10. Consultations**

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

**11. 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)?**

**12. Is this a “key decision”? If so, why?** No



25

# DRAFT ANNUAL ACCOUNTS 2022/23



# CONTENTS

1. INTRODUCTORY STATEMENTS	2. CORE FINANCIAL STATEMENTS	3. EXPLANATORY NOTES TO THE ACCOUNTS	4. SUPPLEMENTARY FINANCIAL STATEMENTS & EXPLANATORY NOTES	5. FINAL STATEMENT & GLOSSARY
<p>Narrative Statement Page 4</p> <p>Statement of Responsibilities for the Statement of Accounts Page 12</p> <p>Independent Auditor’s Report to the Members of Leicester City Council Page 14</p>	<p>Comprehensive Income &amp; Expenditure Statement Page 21</p> <p>Movement in Reserves Statement Page 23</p> <p>Balance Sheet Page 25</p> <p>Cash Flow Statement Page 27</p>	<p>Notes 1-45 Page 28</p>	<p>Housing Revenue Account Page 141</p> <p>Collection Fund Page 149</p>	<p>Annual Governance Statement Page 157</p> <p>Glossary of Terms Page 174</p>

# 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 2022/23.

## 1. Introduction

Leicester City Council is a unitary authority in the East Midlands, consisting of 54 councillors, representing 21 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 11,000 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
- Roughly half of our employees work within schools.

During 2022/23, the Council faced increased costs due to the higher levels of cost and pay inflation since the budget was prepared, which alongside continuing pandemic related income shortfalls resulted in a £4.4m overspend. The Council was able to fund this overspend from reserves due to its managed reserves strategy. However, this has reduced the amount of reserves available to support future budgets. High inflation is anticipated to continue into 2023/24 and will have a long-term impact on the finances of the Council. In contrast, rising interest rates have meant that our investment income increased since the budget was set, which offset the overspend to a limited extent.

During this year, the Council continued to support local businesses through the cost of living crisis by administering business grants and reliefs to those affected. The Council paid out £18.8m in grants where acting as an Agent for the Government and has therefore not recognised these in the accounts. In addition, the Council has helped to support its residents and local businesses through schemes such as the Household Support Fund, Covid-19 Additional Relief Fund and the Retail, Hospitality and Leisure Business Rates Relief.

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 2022/23 are:

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

Some of the key outcomes from the Mayor's pledges in 2022/23 have been:

- Investment in regeneration schemes, including three significant levelling up schemes
- Investment in council housing
- Work with local businesses and residents to support them through the cost of living crisis



# Narrative Statement

## 2. Financial Performance

The budget for 2022/23 was set in an unprecedented and difficult financial situation. Following on from severe spending cuts for over a decade and the pandemic, that put pressure on service spend and on income streams. It is positive to note the Council has managed to remain within its resources for this financial year.

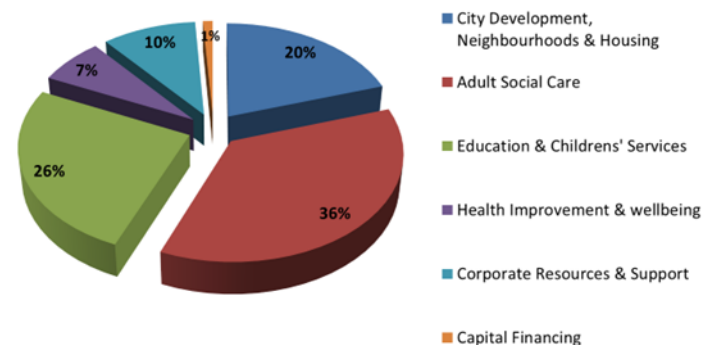
Net expenditure on provision of services was

£454m in 2022/23 and £360m in 2021/22. The chart to the right sets out the spend by General Fund service area.

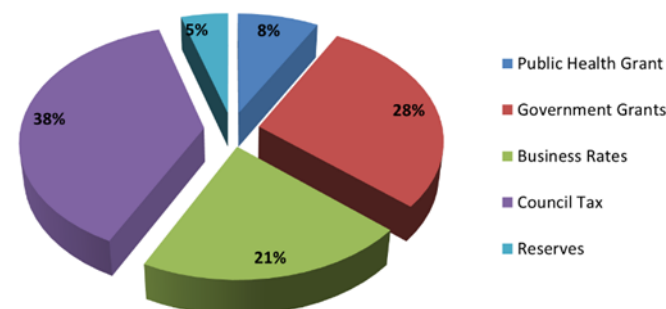
The services above are funded through various resources as demonstrated below.

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

**2022/23 Spend by Category**  
(General Fund Net Spend)



**2022/23 Sources of Funding**  
(General Fund)



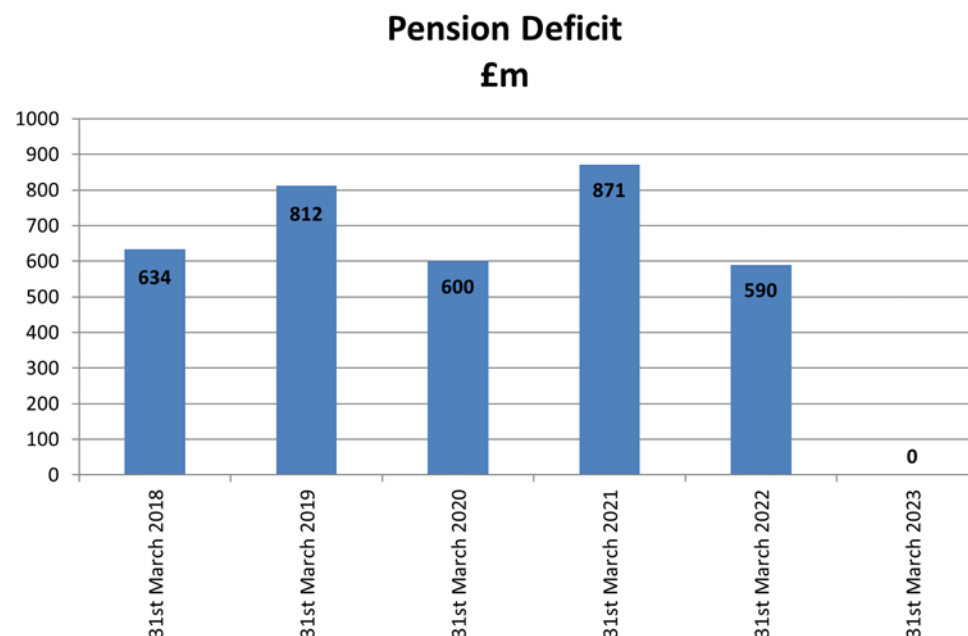
# Narrative Statement

## 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 usually 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, whilst also taking into account the contributions made by the Council.

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 has occurred on a year-by-year basis because of these changes, and hence, the limited context in which annual movements should be viewed.

This year, however, there is a net asset on the pension fund, due to the significant change in economic indicators. However, due to asset ceiling accounting requirements, the final position is shown as neither an asset nor liability at 31st March 2023. This is explained further in the pension fund disclosures in Note 42.

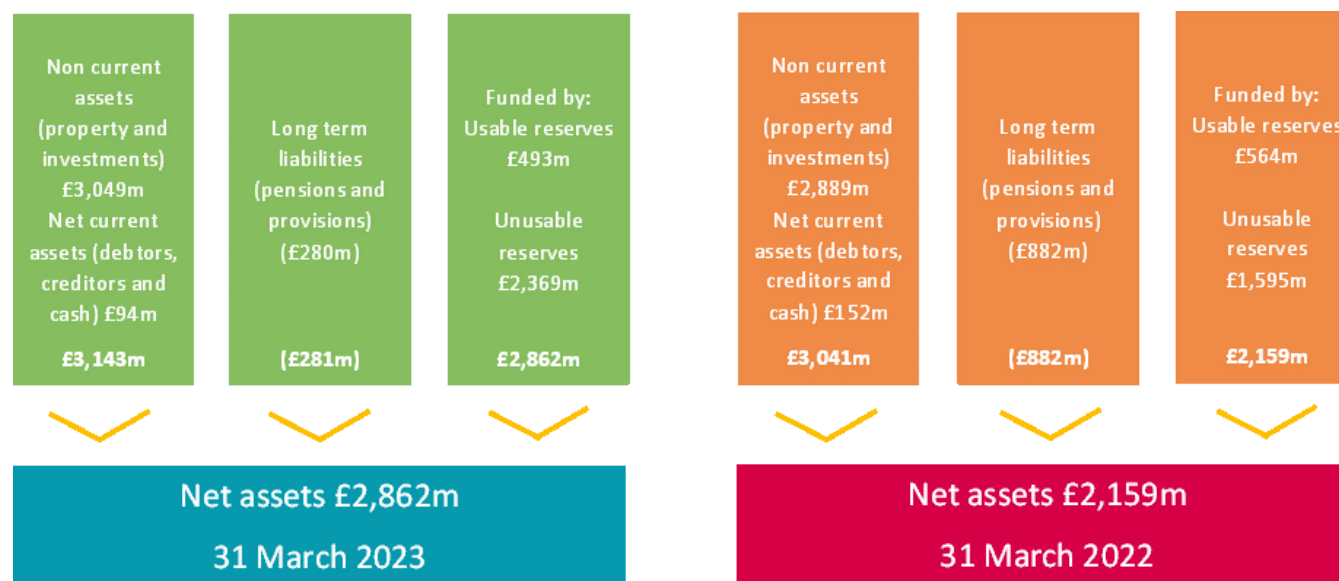




# Narrative Statement

## Net Assets

The Council maintains a strong balance sheet despite financial challenges, with net assets of £2,862m at 31st March 2023 (£2,159m at 31st March 2022).



## 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 2023 were £83m, £73m lower than the previous year, as a result of previously receiving government grants ahead of need. A substantial portion of the cash balances have resulted from funds set aside to repay long term borrowing, which has not been practical as Government rules have made it prohibitively expensive to repay PWLB debt early.

# Narrative Statement

## Capital

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

- Neighbourhood works
- Levelling up schemes
- Council house improvements
- Additional school places
- Affordable Housing

Capital expenditure of £144m was incurred in 2022/23, compared to £153m in 2021/22. Details of the spending can be seen in the table.

The key projects within 2022/23 that are expected to continue during 2023/24 and beyond are Connecting Leicester scheme, redevelopment of the Waterside, Leicester Market Redevelopment and our Levelling Up projects.

Capital Expenditure 2022/23		
Category	£m	Spending includes;
Planning, Development & Transport	56.0	Connecting Leicester, Waterside Strategic Regeneration area, Leicester Railway Station, Electric bus investment, Transport Improvement Works, Highways Maintenance
Housing Revenue Account	31.3	Affordable Housing Acquisitions, Council House Improvements; including environment and communal
Schools	13.3	Schools' maintenance, additional Primary, Secondary and SEND places
Tourism, Culture & Inward Investment	10.1	Jewry Wall Museum, Leicester Market Redevelopment, Pilot House & Growth Hub
Estates & Building Services	18.8	Energy Efficiency Technology, Property and Operational Estate Maintenance, Green Homes
Neighbourhood & Environmental Services	2.4	Waste vehicles, Western Park Sanitisation Tree Works, Reuse shop expansion and Parks & Open Spaces
Housing General Fund	5.6	Disabled facilities grant, Central Vehicle Fleet Replacement Programme
Other	6.9	Public Health schemes, Children's Homes, IT and Getting Building Fund
<b>TOTAL</b>	<b>144.4</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. It is formally constituted as a company limited by guarantee, although has remained dormant. The LLEP's remit is to drive forward regeneration 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 associated finances. As at the 31st March 2023 the Council held £26.9m associated with the LLEP which comprises the LLEP's operating reserve of £3.2m and £23.7m for the local business rates pool and enterprise zones which is managed by the LLEP. The total is shown as a creditor in the balance sheet. The LLEP's operating 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 2022/23. The £1.520m surplus includes income of £449k relating to specific programmes that will be spent in 2023/24.

	2022/2023
	£000's
<b>Income</b>	
Grants	440
Contributions	188
National and Local Programme Income	1,752
Fees, Interest and Other Income	1,417
<b>Total Income</b>	<b>3,797</b>
<b>Expenditure</b>	
Staffing	555
Running Costs	237
Accountable Body Costs	167
Programme Delivery	1,318
<b>Total Expenditure</b>	<b>2,277</b>
<b>Net Surplus / (Deficit)</b>	<b>1,520</b>

In March 2023, the Government announced its intention to cease providing 'core funding' to Local Enterprise Partnerships from April 2024, and set out its expectation that in future their functions will be delivered by local democratically elected leaders. The LLEP Board and local stakeholders will work through the implications during 2023/24, which are expected to include the LLEP ceasing to exist in its present form.

# Narrative Statement

## **3. Governance**

Details regarding the Council's governance arrangements can be found in the Annual Governance Statement (page 157) along with the significant risks facing the authority.

## **4. Looking Ahead**

The Council has set a balanced budget for 2023/24, with a contribution from managed reserves. Further detail on the Council's long-term strategy can be found in the budget report, which is available on the Council's website.

However, the future outlook continues to be uncertain. The recent spike in inflation has led to significant pressures particularly in respect of pay, energy and packages of social care which will continue to impact future years. Whilst new money was made available for social care, it is insufficient to meet our forecast cost growth.

The Council is forecasting future substantial budget gaps and estimates that reserves will run out part way through 2024/25 unless further significant savings are made. Departments within the Council are working on achieving savings where possible, which is a continuous process, with identified savings being made throughout the course of the year.

In addition to the General Fund budget pressures highlighted above, the Dedicated Schools Grant (High Needs Block) budgets for children and young people with special educational needs and disabilities continue to be under severe pressure.

These budgets have recorded a £3m overspend in 2022/23, resulting from unavoidable overspends, with the cumulative balance on the DSG deficit reserve being £6.6m. Under a "statutory override" available until 2025/26, this deficit does not reduce our General Fund reserves. However, a deficit recovery plan is being prepared, which all authorities are required to do. Nonetheless, it remains unclear how the situation is retrievable without further government support, given the continued increase in demand for these services.

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

## **5. Conclusion**

The Council expects to continue to operate with a revenue budget that fails to keep pace with cost increases 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 2023. 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 2022/23. 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 Section 151 Officer.
- 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 are not yet approved by the Audit Committee.

Signed:

Chair of Audit and Risk Committee

Date:

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

### The Section 151 Officer Responsibilities

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

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

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

The Section 151 Officer has also:

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

I certify that the Statement of Accounts 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 2023.

Signed:



Amy Oliver CPFA, Director of Finance & Section 151 Officer      Date: 2 June 2023

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

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# 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 2022/23 of £703m.

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.

2021/22			2022/23		
Gross Exp	Income	Net Exp	Gross Exp	Income	Net Exp
£000	£000	£000	£000	£000	£000
182,872	(68,914)	113,958	220,990	(81,717)	139,273
103,652	(81,550)	22,102	104,134	(84,451)	19,683
197,086	(97,013)	100,073	217,945	(79,780)	138,165
32,537	(33,678)	(1,141)	36,720	(38,214)	(1,494)
399,417	(291,310)	108,107	430,999	(314,809)	116,190
62,360	(39,544)	22,816	60,982	(17,911)	43,071
77,441	(78,380)	(939)	73,038	(73,363)	(325)
(4,151)	(349)	(4,500)	93	(296)	(203)
-	(517)	(517)	-	(517)	(517)
<b>1,051,214</b>	<b>(691,255)</b>	<b>359,959</b>	<b>1,144,901</b>	<b>(691,058)</b>	<b>453,843</b>
<b>Cost of Services</b>					

## Comprehensive Income and Expenditure Statement (continued)

2021/22				2022/23			
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp	
£000	£000	£000		Note	£000	£000	£000
		31,677	Other Operating Expenditure	11			(9,414)
		31,600	Financing and Investment Income and Expenditure	12			31,802
		(360,240)	Taxation and Non-Specific Grant Income	13			(368,534)
		<b>62,996</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>14</b>			<b>107,697</b>
		(243,445)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	26b			(172,112)
		(335,358)	Remeasurement of the Net Defined Benefit Pension Liability	42			(638,498)
		<b>(578,803)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(810,610)</b>
		<b>(515,807)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(702,913)</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”).

2022/23		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
31st March 2022 brought forward		(15,000)	(342,013)	(357,013)	(32,532)	-	(105,489)	(69,121)	(564,155)	(1,595,034)	(2,159,189)
Total Comprehensive Expenditure and Income		75,634	-	75,634	32,063	-	-	-	107,697	(810,610)	(702,913)
Adjustments between accounting basis & Funding basis under regulation	9	(36,623)	-	(36,623)	(24,908)	-	(17,633)	42,574	(36,590)	36,590	-
Transfers to/(from) Earmarked Reserves	10, 25	(39,011)	39,011	-	-	-	-	-	-	-	-
<b>Balance at 31st March 2023 carried forward</b>		<b>(15,000)</b>	<b>(303,002)</b>	<b>(318,002)</b>	<b>(25,377)</b>	<b>-</b>	<b>(123,122)</b>	<b>(26,547)</b>	<b>(493,048)</b>	<b>(2,369,054)</b>	<b>(2,862,102)</b>

## Movement in Reserves (continued)

2021/22		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 2021 brought forward</b>		<b>(15,000)</b>	<b>(328,212)</b>	<b>(343,212)</b>	<b>(35,757)</b>	<b>-</b>	<b>(116,798)</b>	<b>(76,031)</b>	<b>(571,798)</b>	<b>(1,071,582)</b>	<b>(1,643,380)</b>
Total Comprehensive Expenditure and Income		27,417	-	27,417	35,577	-	-	-	62,994	(578,803)	(515,809)
Adjustments between accounting basis & Funding basis under regulation	9	(41,218)	-	(41,218)	(32,352)	-	11,309	6,910	(55,351)	55,351	-
Transfers to/(from) Earmarked Reserves	10, 25	13,801	(13,801)	-	-	-	-	-	-	-	-
<b>Restated Balance at 31st March 2022 carried forward</b>		<b>(15,000)</b>	<b>(342,013)</b>	<b>(357,013)</b>	<b>(32,532)</b>	<b>-</b>	<b>(105,489)</b>	<b>(69,121)</b>	<b>(564,155)</b>	<b>(1,595,034)</b>	<b>(2,159,189)</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 24), 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.

31st March 2022		Note	31st March 2023
£000			£000
2,682,982	Property, Plant & Equipment	15	2,847,057
132,086	Heritage Assets	16	120,731
1,007	Intangible Assets	17	954
60,000	Long Term Investments	18	70,000
13,003	Long Term Debtors	20	10,220
<b>2,889,078</b>	<b>Long Term Assets</b>		<b>3,048,962</b>
142,053	Short Term Investments	18	135,895
19	Assets Held For Sale (<1 year)	22	6,583
3,373	Inventories	19	3,158
77,970	Short Term Debtors	20	82,342
155,680	Cash and Cash Equivalents	21	82,773
<b>379,095</b>	<b>Current Assets</b>		<b>310,751</b>

## Balance Sheet (continued)

31st March 2022		Note	31st March 2023
£000			£000
(13,960)	Short Term Borrowing	18	(25,589)
(207,109)	Short Term Creditors	23	(187,139)
(5,825)	Provisions (<1 year)	24	(4,373)
<b>(226,894)</b>	<b>Current Liabilities</b>		<b>(217,101)</b>
(7,498)	Provisions (>1 year)	24	(6,237)
(180,107)	Long Term Borrowing	18	(180,103)
(683,577)	Other Long Term Liabilities	18	(89,199)
(10,908)	Capital Grants Receipts in Advance	35	(4,971)
<b>(882,090)</b>	<b>Long Term Liabilities</b>		<b>(280,510)</b>
<b>2,159,189</b>	<b>Net Assets</b>		<b>2,862,102</b>
	<u>Represented by:</u>		
564,156	Usable Reserves	25	493,048
1,595,033	Unusable Reserves	26	2,369,054
<b>2,159,189</b>	<b>Total Reserves</b>		<b>2,862,102</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.

2021/22			2022/23
£000		Note	£000
62,996	Net (surplus) or deficit on the provision of services		107,697
(243,852)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	(142,468)
98,994	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	27	97,051
<b>(81,862)</b>	<b>Net cash flows from Operating Activities</b>		<b>62,280</b>
28,640	Net cash flows from Investing Activities	28	21,163
334	Net cash flows from Financing Activities	29	(10,535)
<b>(52,888)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>72,908</b>
102,791	Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period		155,679
<b>155,679</b>	<b>Cash in hand /(overdraft) and cash equivalents at the end of the reporting period</b>	<b>21</b>	<b>82,771</b>

# Explanatory Notes To The Core Financial Statements

# Note 1 Accounting Policies

## Changes in Accounting Policies

In 2022/23 there are no changes to our accounting policies.

## Accounting Policies for 2022/23

### 1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual statement 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 2022/23, 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 in 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

#### Grant Conditions

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.

#### *Acting as a principal or agent*

Grants are only recognised as income in the CIES, where the Council is acting as a principal. If the Council is acting as an intermediary, then the net balance of monies to either be repaid or due to the council, will be shown on the balance sheet.

It is deemed the Council is acting as a principal if they have control of a grant i.e. the ability to direct the use of and obtain substantially all of the remaining benefits from the grant.

### 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).

## Note 1 Accounting Policies (continued)

### 10. Leases (continued)

#### *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.
- 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 annually, with the exception of low value and de minimis assets. Annual valuations of council dwellings are carried out by a specialist external valuer.

## Note 1 Accounting Policies (continued)

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

#### *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.

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.

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.



## Note 1 Accounting Policies (continued)

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

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.

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 15 – Property, Plant and Equipment.

Heritage Assets are not depreciated.

#### Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, traffic management systems and land which together form a single integrated network.

#### Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits will flow to the authority and the cost can be measured reliably.

#### Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums

## Note 1 Accounting Policies (continued)

borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Highways Department using industry standards where applicable as follows:

Part of the highways network	Useful life (Years)
Carriageways	25
Footways and cycleways	25
Structures	120
Street Lighting	40
Traffic Management	20

### Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

### 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.

## Note 1 Accounting Policies (continued)

### 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.

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 26 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

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

2022/23	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	58,611	80,662	139,273
Housing Revenue Account (HRA)	(2,791)	22,474	19,683
Adult Social Care	134,224	3,941	138,165
Health Improvement & Wellbeing	(2,624)	1,130	(1,494)
Education & Children's Services	77,216	38,974	116,190
Corporate Resources & Support	38,377	4,694	43,071
Housing Benefits	(325)	-	(325)
Corporate Items	7,537	(7,740)	(203)
Capital Financing	(517)	-	(517)
<b>Cost of Services</b>	<b>309,708</b>	<b>144,135</b>	<b>453,843</b>
Other Operating Expenditure	(2,617)	(6,797)	(9,414)
Financing and Investment Income and Expenditure	30,250	1,552	31,802
Taxation and Non-Specific Grant Income	(291,175)	(77,359)	(368,534)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>46,166</b>	<b>61,531</b>	<b>107,697</b>

Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(357,013)	(32,532)	(389,545)
Surplus or Deficit in the Year	39,010	7,155	46,165
<b>Closing Balance</b>	<b>(318,003)</b>	<b>(25,377)</b>	<b>(343,380)</b>

## Note 2 Expenditure & Funding Analysis (continued)

2021/22	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	56,430	57,528	113,958
Housing Revenue Account (HRA)	(6,154)	28,256	22,102
Adult Social Care	94,665	5,408	100,073
Health Improvement & Wellbeing	(2,433)	1,292	(1,141)
Education & Children's Services	66,231	41,876	108,107
Corporate Resources & Support	16,693	6,123	22,816
Housing Benefits	(939)	-	(939)
Corporate Items	8,189	(12,689)	(4,500)
Capital Financing	(517)	-	(517)
<b>Cost of Services</b>	<b>232,165</b>	<b>127,794</b>	<b>359,959</b>
Other Operating Expenditure	1,478	30,199	31,677
Financing and Investment Income and Expenditure	27,652	3,948	31,600
Taxation and Non-Specific Grant Income	(271,869)	(88,371)	(360,240)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(10,574)</b>	<b>73,570</b>	<b>62,996</b>

Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(343,212)	(35,757)	(378,969)
Surplus or Deficit in the Year	(13,799)	3,225	(10,574)
<b>Closing Balance</b>	<b>(357,011)</b>	<b>(32,532)</b>	<b>(389,543)</b>

## Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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:

- **IAS 8 (Accounting Estimates)** - amendment to the definitions of accounting estimates.
- **IAS 1 (Accounting Policies)** - requires entities to disclose their material accounting policy information, instead of significant accounting policies.
- **IAS 12 (Income Taxes)** - the amendment places a requirement to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- **IFRS 3 (Business Combinations)** - updated so that this standard now refers to the 2018 Conceptual Framework instead of the 1989 Framework without significantly changing its requirements.

These changes are not envisaged to have a significant affect on our accounts when implemented from 1st April 2023.

## 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 £21m.

## 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment (Value - £2.9bn) (Depreciation - £92m) Refer to Note 15.	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by approximately £3m for every year that useful lives had to be reduced.
Fair Value Measurements (Surplus Assets - £74m) Refer to Note 15.	Some property (surplus) assets are held at Fair Value (see Accounting Policies & Notes 15 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.	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 variance will not affect the Council's financial strategy.  An increase of 5% in the overall valuation would result in an increase in value of £3.7m.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Pensions Liability</p> <p>(Pension liability—Nil)</p> <p>Refer to Note 42.</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. 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>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. The actuaries have advised that a 0.1% decrease in the Real Discount Rate would mean a 2.0% increase to the employers liability amounting to approximately £30m. A 0.1% increase in the Pension Increase rate (CPI) would mean a 2.0% increase to the employers' liability amounting to £27m. A 0.1% increase in the projected rate of salary increase would lead to an increased liability of 0.2% or £3m. A 1 year increase in life expectancy would mean an increase to the employers' liability of 4% or £67m.</p>

## Note 6 Material Items of Income and Expense

In 2022/23 one of the exhibits at a City Council museum saw a decrease in insurance value, going from £45m to £30m. This is due to the anticipated level of demand for the exhibit not materialising following an auction sale of a similar exhibit at the end of the 21/22 financial year. This revaluation is reflected in Note 16 Heritage Assets.

## 8 Note 7 Events After the Balance Sheet Date

There were no significant events at the time of publishing the draft accounts.

## Note 8 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.

2022/23	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	139,273	(72,702)	(8,011)	51	(80,662)	58,611
Housing Revenue Account (HRA)	19,683	(19,070)	(3,759)	355	(22,474)	(2,791)
Adult Social Care	138,165	(324)	(3,608)	(9)	(3,941)	134,224
Health Improvement & Wellbeing	(1,494)	(1)	(1,099)	(30)	(1,130)	(2,624)
Education & Children's Services	116,190	(23,095)	(11,673)	(4,206)	(38,974)	77,216
Corporate Resources & Support	43,071	(336)	(4,454)	96	(4,694)	38,377
Housing Benefits	(325)				-	(325)
Corporate Items	(203)	7,237	242	261	7,740	7,537
Capital Financing	(517)				-	(517)
<b>Cost of Services</b>	<b>453,843</b>	<b>(108,291)</b>	<b>(32,362)</b>	<b>(3,482)</b>	<b>(144,135)</b>	<b>309,708</b>
Other Operating Expenditure	(9,414)	6,797			6,797	(2,617)
Financing and Investment Income and Expenditure	31,802	14,795	(16,347)		(1,552)	30,250
Taxation and Non-Specific Grant Income	(368,534)	53,214		24,145	77,359	(291,175)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>107,697</b>	<b>(33,485)</b>	<b>(48,709)</b>	<b>20,663</b>	<b>(61,531)</b>	<b>46,166</b>



## Note 8 Note to the Expenditure and Funding Analysis (continued)

Adjustments Between Accounting & Funding Basis						
2021/22	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	Net Expenditure Charged to the HRA & General Fund Balance
	£000	£000	£000	£000	£000	£000
City Development & Neighbourhoods	113,958	(47,689)	(10,147)	308	(57,528)	56,430
Housing Revenue Account (HRA)	22,102	(24,028)	(4,676)	448	(28,256)	(6,154)
Adult Social Care	100,073	(909)	(4,574)	75	(5,408)	94,665
Health Improvement & Wellbeing	(1,141)	(3)	(1,305)	16	(1,292)	(2,433)
Education & Children's Services	108,107	(22,751)	(14,563)	(4,562)	(41,876)	66,231
Corporate Resources & Support	22,816	(365)	(5,888)	130	(6,123)	16,693
Housing Benefits	(939)				-	(939)
Corporate Items	(4,500)	7,928	4,500	261	12,689	8,189
Capital Financing	(517)	-			-	(517)
<b>Cost of Services</b>	<b>359,959</b>	<b>(87,817)</b>	<b>(36,653)</b>	<b>(3,324)</b>	<b>(127,794)</b>	<b>232,165</b>
Other Operating Expenditure	31,677	(30,199)			(30,199)	1,478
Financing and Investment Income and Expenditure	31,600	13,814	(17,762)		(3,948)	27,652
Taxation and Non-Specific Grant Income	(360,240)	70,465		17,906	88,371	(271,869)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>62,996</b>	<b>(33,737)</b>	<b>(54,415)</b>	<b>14,582</b>	<b>(73,570)</b>	<b>(10,574)</b>

## Note 8 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 9 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment	2022/23					
	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
Adjustments primarily involving the Capital Adjustment Account:						
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	(62,620)	(34,000)	-	-	-	96,620
Revaluation gains/(losses) on Property Plant and Equipment	(5,072)	(1,007)	-	-	-	6,079
Capital grants and contributions applied	104,456	24	-	-	-	(104,480)
Capital expenditure funded from revenue	262	-	-	-	-	(262)
Revenue expenditure funded from capital under statute	(30,461)	(450)	-	-	-	30,911
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	(5,121)	(22,576)	-	-	-	27,697
Income recognised in respect of donated assets	4	-	-	-	-	(4)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:						
Statutory provision for the financing of capital investment	13,541	1,254	-	-	-	(14,795)
Voluntary provision for the financing of capital expenditure	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	-	805	-	-	-	(805)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14,095	21,076	(35,172)	-	-	1
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	16,892	-	-	(16,892)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(428)	678	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-	-	-

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2022/23					
	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
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(30)	-	-	30
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	15,558	-	(15,558)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	15,558	-	(15,558)
Adjustments primarily involving the Capital Grants Unapplied Reserve:						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	54,382	-	-	-	(54,382)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(96,956)	-	-	-	96,956	-
Adjustments primarily involving the Financial Instruments Adjustments Account:						
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)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(95,279)	(12,176)	-	-	-	107,455
Employer's pensions contributions and direct payments to pensioners payable in the year	52,090	6,656	-	-	-	(58,746)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	24,142	-	-	-	-	(24,142)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,090)	(4)	-	-	-	1,094
Adjustment primarily involving DSG Deficit:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(3,007)	-	-	-	-	3,007
Total Adjustments	(36,623)	(24,908)	(17,632)	-	42,574	(36,589)

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment	2021/22					
	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	(56,959)	(42,037)	-	-	-	98,996
Revaluation gain/(losses) on Property Plant and Equipment	1,020	(128)	-	-	-	(892)
Capital grants and contributions applied	83,924	25	-	-	-	(83,949)
Capital expenditure funded from revenue	151	-	-	-	-	(151)
Revenue expenditure funded from capital under statute	(14,592)	(489)	-	-	-	15,081
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	(30,494)	(19,309)	-	-	-	49,803
Income recognised in respect of donated assets	-	-	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	12,867	947	-	-	-	(13,814)
Voluntary provision for the financing of capital expenditure	92	-	-	-	-	(92)
Capital expenditure charged against the General Fund and HRA balances	-	5,921	-	-	-	(5,921)
<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	5,373	16,589	(21,962)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	30,942	-	-	(30,942)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(404)	654	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,703)	-	1,703	-	-	-

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2021/22					
	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	-	-	(28)	-	-	28
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(50)	-	-	-	-	50
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	12,680	-	(12,680)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	12,680	-	(12,680)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	73,937	-	-	-	(73,937)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(80,847)	-	-	-	80,847	-
<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	(94,256)	(13,001)	-	-	-	107,257
Employer's pensions contributions and direct payments to pensioners payable in the year	46,436	6,405	-	-	-	(52,841)
<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	17,906	-	-	-	-	(17,906)
<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	(390)	89	-	-	-	301
<b>Adjustment primarily involving Earmarked Reserves:</b>						
Transfers from the General Fund and Housing Revenue Account to Earmarked Reserves	-	-	-	-	-	-
Transfers to the General Fund and Housing Revenue Account from Earmarked Reserves	-	-	-	-	-	-
<b>Adjustment primarily involving DSG Deficit:</b>						
School budget deficit transferred from General Fund in accordance with statutory requirements	(3,643)	-	-	-	-	3,643
<b>Total Adjustments</b>	<b>(41,217)</b>	<b>(32,352)</b>	<b>11,309</b>	<b>-</b>	<b>6,910</b>	<b>(55,350)</b>

## Note 10 - 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.

2022/23	Balance at 31st March 2022	Transfers In 2022/23	Transfers Out 2022/23	Balance at 31st March 2023
	£000	£000	£000	£000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	-	3,422	(3,422)	(0)
School Balances	30,095	6,317	(5,256)	31,156
School Capital Fund	2,491	31	(105)	2,417
Education & Skills Funding Agency Learning Programme	971	-	(84)	887
Arts Council National Portfolio Organisation Funding	319	63	(194)	188
NHS Joint Working Projects	25,013	6,457	(12,431)	19,039
Schools Buy Back	1,915	170	(1,214)	871
Business Support Grants	-	-	-	-
Covid-19 Collection Fund Compensation Grants*	13,397	945	(17,622)	3,280
Secondary PRU - Year End Balance	-	-	-	-
Primary PRU - Year End Balance	-	-	-	-
<b>Total Ring-fenced Reserves</b>	<b>74,201</b>	<b>17,405</b>	<b>(40,328)</b>	<b>51,278</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	98,834	6,394	(2,185)	103,043
Managed Reserves Strategy	83,270	18,577	(36,019)	65,828
Demographic Pressures	-	-	-	-
Pandemic Reserve	-	-	-	-
BSF Financing	9,034	229	(103)	9,160
Insurance Fund	11,495	483	(5,819)	6,159
Severance Fund	4,827	-	(104)	4,723
Service Transformation Fund	5,195	-	(25)	5,170
Welfare Reserve	2,551	742	(1,177)	2,116
Anti- Poverty Reserve	3,000	-	(228)	2,772
Other Corporate Reserves	-	-	-	-
<b>Total Corporate Reserves</b>	<b>218,205</b>	<b>26,425</b>	<b>(45,659)</b>	<b>198,971</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	5,119	1,176	(1,863)	4,432
ICT Development Fund	10,480	-	-	10,480
Elections Reserve	2,440	-	-	2,440
Housing	2,802	3,180	(1,377)	4,605
City Development (Excl Housing)	12,672	5,687	(4,566)	13,793
Social Care Reserve	9,998	6,720	(5,124)	11,594
Health & Wellbeing Division	5,631	444	(1,130)	4,945
NHS Joint Working Projects	-	-	-	-
Other Departmental Reserves	464	-	-	464
<b>Total Other Reserves</b>	<b>49,606</b>	<b>17,207</b>	<b>(14,060)</b>	<b>52,753</b>
<b>Total Earmarked Reserves</b>	<b>342,012</b>	<b>61,036</b>	<b>(100,047)</b>	<b>303,001</b>

\*Covid-19 Collection Fund Compensation/Grants reserve is showing a negative balance due to a shortfall in budgeted government grant in relation to the collection fund, which will be resolved in future years through the collection fund surplus.

## Note 10 - Movement in Earmarked Reserves (continued)

2021/22	Balance at 31st March 2021 £000	Transfers In 2021/22 £000	Transfers Out 2021/22 £000	Balance at 31st March 2022 £000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	1,433	-	(1,433)	-
School Balances	24,108	8,937	(2,950)	30,095
School Capital Fund	2,753	3	(265)	2,491
Education & Skills Funding Agency Learning Programmes	1,112	108	(249)	971
Arts Council National Portfolio Organisation Funding	845	-	(526)	319
NHS Joint Working Projects	9,420	15,866	(273)	25,013
Schools Buy Back	2,429	-	(514)	1,915
Business Support Grants	2,722	-	(2,722)	-
Covid-19 Collection Fund Compensation Grants*	25,720	14,752	(27,075)	13,397
Secondary PRU - Year End Balance	-	-	-	-
Primary PRU - Year End Balance	-	-	-	-
<b>Total Ring-fenced Reserves</b>	<b>70,542</b>	<b>39,666</b>	<b>(36,007)</b>	<b>74,201</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	97,588	2,497	(1,251)	98,834
Managed Reserves Strategy	70,261	30,310	(17,301)	83,270
Demographic Pressures Reserve (19/20-20/21)	-	-	-	-
Pandemic Reserve	-	-	-	-
BSF Financing	8,638	1,457	(1,061)	9,034
Insurance Fund	10,608	887	-	11,495
Severance Fund	4,827	-	-	4,827
Service Transformation Fund	5,867	-	(672)	5,195
Welfare Reserve	3,429	428	(1,306)	2,551
Other Corporate Reserves	3,000	-	-	3,000
	973	-	(973)	-
<b>Total Corporate Reserves</b>	<b>205,190</b>	<b>35,579</b>	<b>(22,563)</b>	<b>218,206</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	3,670	2,815	(1,366)	5,119
ICT Development Fund	8,436	2,163	(119)	10,480
Elections Reserve	3,477	323	(1,360)	2,440
Housing	2,358	723	(279)	2,802
City Development (Excl Housing)	11,302	3,432	(2,062)	12,672
Social Care Reserve	18,482	4,480	(12,964)	9,998
Health & Wellbeing Division	4,291	1,480	(140)	5,631
NHS Joint Working Projects	-	-	-	-
Other Departmental Reserves	464	-	-	464
<b>Total Other Reserves</b>	<b>52,480</b>	<b>15,416</b>	<b>(18,290)</b>	<b>49,606</b>
<b>Total Earmarked Reserves</b>	<b>328,212</b>	<b>90,661</b>	<b>(76,860)</b>	<b>342,013</b>



## Note 11 Other Operating Expenditure

	2021/22	2022/23
	£000	£000
Payments to the government Housing Capital Receipts Pool	1,703	-
Total (gains)/losses on the disposal of non-current assets	28,546	(6,796)
Other operating income and expenditure	1,428	(2,618)
<b>Total</b>	<b>31,677</b>	<b>(9,414)</b>

## Note 12 Financing and Investment Income & Expenditure

	2021/22	2022/23
	£000	£000
Interest payable and similar charges	15,834	19,825
Pensions interest cost and expected return on pensions assets	17,762	16,347
Interest receivable and similar income	(1,996)	(4,370)
<b>Total</b>	<b>31,600</b>	<b>31,802</b>

## Note 13 Taxation and Non-Specific Grant Income & Expenditure

	2021/22	2022/23
	£000	£000
Council Tax income	(128,881)	(135,778)
Non-domestic rates	(90,577)	(95,892)
Non-ringfenced government grant Income	(77,921)	(84,497)
Non-ringfenced government grant Expenditure (Note 1)	7,603	851
Capital grants and contributions	(70,464)	(53,214)
Donated Assets	-	(4)
<b>Total</b>	<b>(360,240)</b>	<b>(368,534)</b>

(Note 1) This line is Covid-19 related grant expenditure in the form of Business Support and Local Council Tax Support grants.

## Note 14 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.

	2021/22	2022/23
	£000	£000
<b>Expenditure</b>		
Employee Benefit Expenses	436,976	457,559
Other Services expenses	526,993	592,572
Depreciation, amortisation, impairment	98,996	96,620
Interest Payments	33,596	36,172
Precepts & Levies	88	91
Payments to Housing Capital Receipts pool	1,703	-
(Gain)/ Loss on the Disposal of Assets	28,546	(6,797)
<b>Total Expenditure</b>	<b>1,126,898</b>	<b>1,176,216</b>
<b>Income</b>		
Fees, charges and other service income	(182,564)	(207,630)
Interest & Investment Income	(1,996)	(4,370)
Income from Council Tax, non domestic rates	(219,457)	(231,670)
Government grants & contributions	(659,887)	(624,849)
<b>Total Income</b>	<b>(1,063,904)</b>	<b>(1,068,519)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>62,995</b>	<b>107,697</b>

## Note 15 Property, Plant and Equipment - Movement on Balances in 2022/23

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2022/23. The following tables provide additional detail on the basis for valuations of these assets and future capital expenditure already committed.

Movements on Balances in 2022/23	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>									
Restated at 1st April 2022	1,161,367	1,153,383	76,922	1,269	2,580	76,803	8,452	<b>2,480,776</b>	149,461
Additions	31,030	35,645	8,965	-	1,062	1,373	5,960	<b>84,035</b>	961
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	95,315	42,588	2,121	124	31	1,564	-	<b>141,743</b>	8,199
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(18,296)	(8,599)	(336)	-	(1,022)	(3,771)	(87)	<b>(32,111)</b>	(9)
De-recognition – disposals	(22,794)	(853)	(2,455)	-	-	(21)	-	<b>(26,123)</b>	-
De-recognition – other								<b>-</b>	
Assets reclassified (to)/from Held for Sale	-	(4,486)	-	-	-	(1,680)	-	<b>(6,166)</b>	-
Asset reclassified (other)	-	12,786	-	-	-	(65)	(12,721)	<b>-</b>	-
Other movements in cost or valuation								<b>-</b>	
<b>As at 31st March 2023</b>	<b>1,246,622</b>	<b>1,230,464</b>	<b>85,217</b>	<b>1,393</b>	<b>2,651</b>	<b>74,203</b>	<b>1,604</b>	<b>2,642,154</b>	<b>158,612</b>

## Note 15 Property, Plant and Equipment - Movement on Balances in 2022/23 (continued)

Movements on Balances in 2022/23	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>Accumulated Depreciation &amp;</b>									
Restated at 1st April 2022	-	(28)	(29,481)	(255)	-	-	-	(29,764)	(7,540)
Depreciation Charge	(12,534)	(27,694)	(7,394)	(17)	(37)	(64)	-	(47,740)	(5,882)
Depreciation written out to the Revaluation Reserve	12,318	25,945	3,512	-	34	-	-	41,809	4,410
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,485	-	-	-	56	-	1,541	-
De-recognition – disposals	217	27	2,449	-	-	1	-	2,694	-
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2023</b>	<b>1</b>	<b>(265)</b>	<b>(30,914)</b>	<b>(272)</b>	<b>(3)</b>	<b>(7)</b>	<b>-</b>	<b>(31,460)</b>	<b>(9,012)</b>
<b>Net Book Value as at 31st March 2023</b>	<b>1,246,623</b>	<b>1,230,199</b>	<b>54,303</b>	<b>1,121</b>	<b>2,648</b>	<b>74,196</b>	<b>1,604</b>	<b>2,610,694</b>	<b>149,600</b>
1st April 2022	1,161,367	1,153,355	47,441	1,014	2,580	76,803	8,452	2,451,012	141,921

## Note 15 Property, Plant and Equipment - Movement on Balances in 2021/22

Comparative Movements 21/22	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>									
Restated at 1st April 2021	1,062,545	1,083,679	106,720	1,322	2,239	68,829	5,214	<b>2,330,548</b>	145,285
Additions	49,447	41,026	6,763	-	997	1,909	8,616	<b>108,758</b>	540
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	99,506	65,112	(792)	(11)	628	150	-	<b>164,593</b>	9,254
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(28,967)	(13,341)	(220)	(42)	(996)	(536)	(162)	<b>(44,264)</b>	(14)
De-recognition – disposals	(19,492)	(25,068)	(35,549)	-	(288)	(378)	-	<b>(80,775)</b>	(5,604)
De-recognition – other								<b>-</b>	
Assets reclassified (to)/from Held for Sale	-	1,916	-	-	-	-	-	<b>1,916</b>	-
Assets reclassified to Intangible Assets	-	-	-	-	-	-	-	<b>-</b>	-
Asset reclassified (other)	(1,672)	59	-	-	-	6,829	(5,216)	<b>-</b>	-
Other movements in cost or value	-	-	-	-	-	-	-	<b>-</b>	-
<b>As at 31st March 2022</b>	<b>1,161,367</b>	<b>1,153,383</b>	<b>76,922</b>	<b>1,269</b>	<b>2,580</b>	<b>76,803</b>	<b>8,452</b>	<b>2,480,776</b>	<b>149,461</b>

## Note 15 Property, Plant and Equipment - Movement on Balances in 2021/22 (continued)

Comparative Movements 21/22	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>									
Restated at 1st April 2021	-	(16)	(56,306)	(238)	-	-	-	(56,560)	(11,027)
Depreciation Charge	(11,456)	(25,223)	(8,934)	(17)	(39)	(79)	-	(45,748)	(6,191)
Depreciation written out to the Revaluation Reserve	11,273	23,137	3,625	-	34	30	-	38,099	4,074
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,509	-	-	-	49	-	1,558	-
De-recognition – disposals	183	565	32,134	-	5	-	-	32,887	5,604
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2022</b>	-	(28)	(29,481)	(255)	-	-	-	(29,764)	(7,540)
<b>Net Book Value as at 31st March 2022</b>	<b>1,161,367</b>	<b>1,153,355</b>	<b>47,441</b>	<b>1,014</b>	<b>2,580</b>	<b>76,803</b>	<b>8,452</b>	<b>2,451,012</b>	<b>141,921</b>
1st April 2021	1,062,545	1,083,662	50,414	1,085	2,239	68,830	5,214	2,273,989	134,258



## Note 15 Property, Plant and Equipment - Highways Infrastructure Assets

### Highways Infrastructure Assets - Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

	2021/22	2022/23
	£000	£000
<b>Net book value (modified historical cost)</b>		
at 1 April	213,650	231,970
Additions	28,336	27,428
Depreciation	(10,016)	(23,035)
Other movement	-	-
<b>Net book value at 31 March</b>	<b>231,970</b>	<b>236,363</b>

### Total PPE Assets

	2021/22	2022/23
	£000	£000
Highways Infrastructure assets	231,970	236,363
Other PPE assets	2,451,012	2,610,694
<b>Total PPE assets</b>	<b>2,682,982</b>	<b>2,847,057</b>

## Note 15 Property, Plant and Equipment - Capital Commitments

At 31<sup>st</sup> March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23. Similar commitments at 31<sup>st</sup> March 2022 were £36.3m. The significant commitments are:

Contract for Capital Investment	Period	£000
Pioneer Park	2023-24	15,290
Electric Bus Investment	2023-24	5,024
Leicester Station	2023-24	4,052
Connecting Leicester	2023-24	2,705
Waterside	2023-24	2,667
Jewry Wall Museum Improvements	2024-25	1,844
Greener Homes	2023-24	1,750
Tower Block Sprinkler Systems	2023-24	786
Expansion of Children's Homes	2023-24	588
Council Housing - External Property Works	2023-24	523
Highways Maintenance	2023-24	507
Goscote House Demolition	2023-24	454
<b>Total</b>		<b>36,190</b>

## Note 15 Property, Plant and Equipment - Revaluations

2022/23 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	-	2,261	58,513	296,515	40	-	1,604	358,933
Valued at fair or nominal value as at:								
Pre 1st April 2012	-	161	-	-	-	-	-	161
1st April 2012	-	-	-	-	-	-	-	-
1st April 2013	-	1	-	-	-	-	-	1
1st April 2014	-	2	-	686	1	-	-	689
1st April 2015	-	-	-	-	-	-	-	-
1st April 2016	-	-	-	-	-	14	-	14
1st April 2017	-	-	-	-	1	-	-	1
Valued @ 31st March 2019	-	23	-	-	3	21	-	47
Valued @ 31st March 2020	-	12	-	-	77	-	-	89
Valued @ 31st March 2021	-	25	-	-	14	-	-	39
Valued @ 31st March 2022	-	8,570	-	72	460	792	-	9,894
Valued @ 31st March 2023	1,246,625	1,219,498	26,705	632	2,055	73,288	-	2,568,803
<b>Total</b>	<b>1,246,625</b>	<b>1,230,553</b>	<b>85,218</b>	<b>297,905</b>	<b>2,651</b>	<b>74,115</b>	<b>1,604</b>	<b>2,938,671</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 are revalued at least every 5 years with the majority of assets being valued annually. 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 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 16 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 2022/23 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 15).

### *Museum Exhibits*

Leicester City Council operates six 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, reflecting the replacement cost of these assets. Additions to the exhibits collection are initially included at historical cost and are then included as part of the insurance revaluation.

One of the exhibits at a City Council museum saw a decrease in insurance value, going from £45m to £30m. This is due to the level of demand not increasing in line with expectations in the market for exhibits of a similar nature. This decrease is reflected in the table on the following page.

### *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 16 Heritage Assets (continued)

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

Movement on Balances 2022/23	Buildings	Museum Exhibits	Statues & Monument	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2022	2,598	123,612	5,876	132,086
Additions	-	24	-	24
Impairment losses recognised in surplus/deficit on the provision of services	-	(19)	-	(19)
Disposals	-	-	-	-
Revaluations	10	(11,370)	-	(11,360)
<b>As at 31st March 2023</b>	<b>2,608</b>	<b>112,247</b>	<b>5,876</b>	<b>120,731</b>

2021/22 Comparative Movements	Buildings	Museum Exhibits	Statues & Monument	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2021	2,487	83,100	5,876	91,463
Additions	-	45	-	45
Impairment losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	(39)	-	(39)
Disposals	-	(49)	-	(49)
Revaluations	111	40,555	-	40,666
<b>As at 31st March 2022</b>	<b>2,598</b>	<b>123,612</b>	<b>5,876</b>	<b>132,086</b>

## Note 17 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.

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>		
Gross Carrying Amounts	4,680	4,370
Accumulated Amortisation	(3,158)	(3,363)
<b>Net carrying amount at 1st April</b>	<b>1,522</b>	<b>1,007</b>
Additions (Purchases)	370	202
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(370)	-
Disposals in year (gross)	(310)	-
Disposals in year (amortisation)	310	-
Write-out of impairment amortisation	-	-
Reclassified from other asset classifications		
Amortisation applied in Year	(515)	(255)
Gross Carrying Amount at 31st March	4,370	4,572
Accumulated Amortisation	(3,363)	(3,618)
<b>Net Carrying Amount at 31st March</b>	<b>1,007</b>	<b>954</b>

## Note 18a 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.

The financial instruments notes have been restated for the prior year to include Long Term debtors, Short Term Debtors and Short Term Creditors which were previously omitted from these notes. The amounts are those included in the tables under the headings mentioned above.

Category	Amount	Amount	Comment / Reference
	31st March 2022	31st March 2023	
	£000	£000	
<b>Long Term Investments</b>			
<b>Amount in Balance Sheet</b>	<b>60,000</b>	<b>70,000</b>	
Amounts covered in Note 18:	60,000	70,000	This note - section B Table 2
<b>Long Term Debtors</b>			
<b>Amount in Balance Sheet</b>	<b>13,003</b>	<b>10,220</b>	
Amounts covered in Note 18:	13,003	10,220	This note - section B Table 2
<b>Short Term Investments</b>			
<b>Amount in Balance Sheet</b>	<b>142,053</b>	<b>135,896</b>	
Amounts covered in Note 18:	142,053	135,896	This note - section B Table 2
<b>Short Term Debtors</b>			
<b>Amount in Balance Sheet</b>	<b>77,969</b>	<b>82,342</b>	
Amounts covered in Note 18:	20,634	32,393	This note - section B Table 2
Amounts not covered in Note 18:			
Central Government Bodies	20,968	14,903	Note 20 - Debtors
Other Local Authorities	4,595	6,429	
NHS Bodies	8,293	2,018	Note 20 - Debtors
Public Corporations and Trading Funds	1	-	
Payments in advance	7,362	8,558	Note 20 - Debtors
Local Taxation (Council Tax and Business Rates)	16,116	18,041	Note 20 - Debtors

Note 18a Financial Instruments - Classifications (continued)

Category	Amount	Amount	Comment / Reference
	31st March 2022	31st March 2023	
	£000	£000	
Short Term Borrowing			
Amount in Balance Sheet	13,960	25,589	
Amounts covered in Note 18:	13,960	25,589	This note - section B Table 1
Short Term Creditors			
Amount in Balance Sheet	207,109	187,139	
Amounts covered in Note 18:	76,206	83,547	This note - section B Table 1
Amounts not covered in Note 18:			
Other Entities and individuals	5,054	5,644	Note 23 - Creditors
Central Government Bodies	33,666	45,160	Note 23 - Creditors
Other Local Authorites	9,233	8,435	Note 23 - Creditors
NHS Bodies	298	812	Note 23 - Creditors
Public Coporations and Trading Funds	-	562	Note 23 - Creditors
Receipts in advance	82,652	42,978	Note 23 - Creditors
Long Term Borrowing			
Amount in Balance Sheet	180,107	180,103	
Amounts covered in Note 18:	180,107	180,103	This note - section B Table 1
Other Long Term Liabilities			
Amount in Balance Sheet	683,577	89,199	
Amounts covered in Note 18:	93,686	89,110	This note - section B Table 1
Amounts not covered in Note 18:			
	589,789	-	Note 42 - Defined Benefit Pensions
Liability related to defined benefit pension schemes			
Amounts related to Bonds	102	89	Not separately disclosed



## Note 18b 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 2022	31st March 2023	31st March 2022	31st March 2023
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	179,491	179,491	12,475	23,975
- Accrued interest			1,485	1,614
- EIR adjustments	616	612	-	-
<b>Total Borrowing</b>	<b>180,107</b>	<b>180,103</b>	<b>13,960</b>	<b>25,589</b>
Liabilities at amortised cost:				
- Finance leases	7,930	7,715	217	217
- PFI arrangements	64,736	61,265	3,777	3,483
- Transferred debt liability	20,585	19,723	975	975
<b>Total Other Long-term Liabilities</b>	<b>93,251</b>	<b>88,703</b>	<b>4,969</b>	<b>4,675</b>
Liabilities at amortised cost:				
- Trade payables	-	-	72,212	79,847
- PFI arrangements	435	407	-	-
<b>Included in Creditors</b>	<b>435</b>	<b>407</b>	<b>72,212</b>	<b>79,847</b>
<b>Total Financial Liabilities</b>	<b>273,793</b>	<b>269,213</b>	<b>91,141</b>	<b>110,111</b>

## Note 18b 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 2022	31st March 2023	31st March 2022	31st March 2023
	£000	£000	£000	£000
Amortised cost:				
- Principal at amortised cost	60,000	70,000	133,000	127,300
- Accrued interest	-	-	405	1,599
Other:				
Fair Value	-	-	8,648	6,997
<b>Total Investments</b>	<b>60,000</b>	<b>70,000</b>	<b>142,053</b>	<b>135,896</b>
Amortised cost:				
- Cash (including bank accounts)	-	-	35,680	49,323
Other:				
- Cash equivalents at fair value through profit and loss	-	-	120,000	33,450
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>155,680</b>	<b>82,773</b>
Amortised Cost:				
- Trade receivables	4,403	4,121	20,218	32,039
- Loans made for service purposes	8,600	6,099	416	354
<b>Included in Debtors</b>	<b>13,003</b>	<b>10,220</b>	<b>20,634</b>	<b>32,393</b>
<b>Total Financial Assets</b>	<b>73,003</b>	<b>80,220</b>	<b>318,367</b>	<b>251,062</b>

## Note 18c 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	2022/23 Total	2021/22 Total
	£000	£000	£000	£000	£000
Financial assets measured at fair value through profit or loss	-	-	1,651	1,651	(1,186)
Financial assets measured at amortised cost	-	(104)	-	(104)	(140)
<b>Net (gains)/losses</b>	<b>-</b>	<b>(104)</b>	<b>1,651</b>	<b>1,547</b>	<b>(1,326)</b>
Interest expense	19,830	-	-	19,830	15,834
<b>Interest payable and similar charges</b>	<b>19,830</b>	<b>-</b>	<b>-</b>	<b>19,830</b>	<b>15,834</b>
Interest income	-	(2,359)	(1,726)	(4,085)	(1,956)
Dividends	-	-	(290)	(290)	(41)
<b>Interest and investment income</b>	<b>-</b>	<b>(2,359)</b>	<b>(2,016)</b>	<b>(4,375)</b>	<b>(1,997)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>19,830</b>	<b>(2,463)</b>	<b>(365)</b>	<b>17,002</b>	<b>12,511</b>

## Note 18d Financial Instruments - Fair Values

Financial assets classified as fair value through profit and loss, or other comprehensive income 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. There are only MMF at this hierarchy level and they are quoted at the active market price.
- 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. Most financial instruments valued at this level are based on observed market rates for similar transactions. However, for lease payables, PFI liabilities and transferred debt liabilities they are based on discounting at AA corporate bond yields.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness. This applies to loans to other companies and they are quoted at estimated creditworthiness.

The fair value of financial liabilities held at amortised cost are broadly in line with their balance sheet carrying amount because the money was borrowed when interest rates were at a similar rate to what they are now.

The table shows the amounts held at 31<sup>st</sup> March 2023 and the fair value reported in the 2022/23 accounts.

		31st March 2022		31st March 2023	
	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	171,657	134,491	118,891
Long-term LOBO loans	2	20,616	30,327	20,612	23,327
Other long-term loans	2	25,000	31,473	25,000	23,536
Lease payables and PFI liabilities	2	77,095	114,301	73,087	91,376
Transferred debt liabilities	2	21,560	29,740	20,698	22,600
<b>Total</b>		<b>278,762</b>	<b>377,498</b>	<b>273,888</b>	<b>279,730</b>
Liabilities for which fair value is not disclosed *		86,173		105,436	
<b>Total Financial Liabilities</b>		<b>364,935</b>	<b>377,498</b>	<b>379,324</b>	<b>279,730</b>
<i>Recorded on balance sheet as:</i>					
Short-term creditors		77,617		84,929	
Short-term borrowing		13,960		25,589	
Long-term creditors		20,585		19,723	
Long-term borrowing		180,107		180,103	
Other long-term liabilities		72,666		68,980	
<b>Total Financial Liabilities</b>		<b>364,935</b>		<b>379,324</b>	

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

## Note 18d Financial Instruments - Fair Values (continued)

		31st March 2022		31st March 2023	
	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	120,000	120,000	33,450	33,450
Property Unit Trusts	2	8,648	8,648	6,997	6,997
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities	2	60,000	58,896	70,000	67,515
Long-term loans to companies	3	7,612	7,612	5,143	5,143
Finance Lease	3	987	987	957	957
<b>Total</b>		<b>197,247</b>	<b>196,143</b>	<b>116,547</b>	<b>114,062</b>
Assets for which fair value is not disclosed *		194,123	-	214,735	-
<b>Total Financial Assets</b>		<b>391,370</b>	<b>196,143</b>	<b>331,282</b>	<b>114,062</b>
<i>Recorded on balance sheet as:</i>					
Long-term debtors		13,003		10,220	
Long-term investments		60,000		70,000	
Short-term debtors		20,634		32,393	
Short-term investments		142,053		135,896	
Cash and cash equivalents		155,680		82,773	
<b>Total Financial Assets</b>		<b>391,370</b>		<b>331,282</b>	

\* Financial assets classified as fair value through profit and loss, or fair value through other comprehensive income are carried in the Balance Sheet at fair value.

## Note 19 Inventories

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

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
Consumable Stores	368	415
Maintenance Materials	2,627	2,494
Work in Progress	378	249
<b>Total</b>	<b>3,373</b>	<b>3,158</b>

## Note 20 Debtors

### Long-Term Debtors

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

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
PFI Lease	3,031	3,215
Other Long Term Debtors	9,972	7,005
<b>Total</b>	<b>13,003</b>	<b>10,220</b>

### Short-Term Debtors

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

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
Central Government bodies	20,969	14,904
Other Local Authorities	4,595	6,429
NHS bodies	8,293	2,018
Public Corporations and Trading Funds	1	0
Other Entities and Individuals	20,634	32,393
Payments in Advance	7,362	8,558
Local Taxation (Council Tax & Business Rates)	16,116	18,041
<b>Total</b>	<b>77,970</b>	<b>82,342</b>

## Note 21 Cash and Cash Equivalents

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

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
Cash held by the Council	10	21
Bank	35,670	49,302
Short-term deposits	120,000	33,450
<b>Total Cash and Cash Equivalents</b>	<b>155,680</b>	<b>82,773</b>



## Note 22 Assets Held for Sale

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

	2021/22	2022/23
	£000	£000
Balance at 1st April	1,847	19
Property, Plant and Equipment newly classified as held for sale	0	6,183
Property, Plant and Equipment declassified as held for sale	(1,916)	(17)
Assets Sold	0	0
Other Adjustments	88	398
<b>Balance at 31st March</b>	<b>19</b>	<b>6,583</b>

## Note 23 Creditors

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

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
Central Government bodies	33,666	45,159
Other Local Authorities	9,233	8,435
NHS bodies	298	812
Public Corporations and Trading Funds	-	562
Other Entities and Individuals	81,260	89,192
Receipts in Advance	82,652	42,978
<b>Total</b>	<b>207,109</b>	<b>187,139</b>

## Note 24 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 £3.6m is held as a provision, being the amount that the Council estimates will be required to meet claims already received. A further sum of £6.2m is held as an earmarked reserve (as per Note 10), 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 £0.7m.

	Insurance	Housing Benefits	s117 Mental Health Act	Housing	Business Rate Appeals	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2021</b>	<b>3,307</b>	<b>657</b>	<b>39</b>	<b>773</b>	<b>9,446</b>	<b>14,222</b>
Net Movement (additions less amounts used)	(15)	-	-	(337)	(547)	(899)
<b>Balance at 1st April 2022</b>	<b>3,292</b>	<b>657</b>	<b>39</b>	<b>436</b>	<b>8,899</b>	<b>13,323</b>
2022/23 Provisions/(Reductions)	3,062	-	(39)	49	(572)	2,500
Amounts used in 2022/23	(2,742)	-	-	-	(2,471)	(5,213)
<b>Balance at 31st March 2023</b>	<b>3,612</b>	<b>657</b>	<b>-</b>	<b>485</b>	<b>5,856</b>	<b>10,610</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 £12m (Council share of £5.9m).

## Note 25 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 £000	Movement £000	Closing Balance £000	Supporting Note
General Fund	(15,000)	-	(15,000)	MIRS and Narrative Statement
Earmarked Reserves	(342,013)	39,011	(303,002)	Note 10 and Narrative Statement
<b>Total General Fund Reserves</b>	<b>(357,013)</b>	<b>39,011</b>	<b>(318,003)</b>	
Housing Revenue Account	(32,532)	7,155	(25,377)	HRA Statements and Notes
Major Repairs Reserve	-	-	-	Note 9 and HRA Note 13
Capital Receipts Reserve	(105,490)	(17,632)	(123,122)	Note 9 and HRA Note 13
Capital Grants Unapplied Reserve	(69,121)	42,574	(26,547)	Note 9 and HRA Note 13
<b>Total Usable Reserves</b>	<b>(564,156)</b>	<b>71,108</b>	<b>(493,048)</b>	

## Note 26a 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 2022 £000	31st March 2023 £000
Revaluation Reserve	(1,195,684)	(1,342,685)
Capital Adjustment Account	(1,035,385)	(1,051,985)
Financial Instruments Adjustment Account	19,047	18,426
Deferred Capital Receipts Reserve	(1,045)	(1,015)
Pensions Reserve	589,789	-
Collection Fund Adjustment Account	15,723	(8,419)
Accumulated Absences Account	8,879	9,973
Dedicated Schools Grant Adjustment Account	3,643	6,650
<b>Total Unusable Reserves</b>	<b>(1,595,033)</b>	<b>(2,369,055)</b>

## Note 26b 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.

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>(987,052)</b>	<b>(1,195,684)</b>
Upward revaluation of assets	(271,282)	(212,961)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	27,838	40,849
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(243,444)</b>	<b>(172,112)</b>
Difference between fair value depreciation and historical cost depreciation	21,595	24,437
Accumulated gains on assets sold or scrapped	13,217	674
<b>Balance at 31st March</b>	<b>(1,195,684)</b>	<b>(1,342,685)</b>

## Note 26c 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.

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>(1,016,011)</b>	<b>(1,035,385)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	98,482	96,365
Revaluation (gain)/loss on Property, Plant and Equipment	(892)	6,079
Amortisation of intangible assets	515	255
Revenue expenditure funded from capital under statute	15,081	30,911
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	49,803	27,697
	<b>(853,022)</b>	<b>(874,078)</b>
Adjusting amounts written out of the Revaluation Reserve	(34,814)	(25,111)
Net written out amount of the cost of non-current assets consumed in the year	<b>(887,836)</b>	<b>(899,189)</b>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(30,942)	(16,892)
Use of the Major Repairs Reserve to finance new capital expenditure	(12,680)	(15,558)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(83,949)	(104,484)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(13,814)	(14,795)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(92)	-
Capital expenditure charged against the General Fund and HRA balances	(6,072)	(1,067)
<b>Balance at 31st March</b>	<b>(1,035,385)</b>	<b>(1,051,985)</b>

## Note 26d 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.

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>19,668</b>	<b>19,047</b>
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	(621)	(621)
<b>Balance at 31st March</b>	<b>19,047</b>	<b>18,426</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	(621)	(621)



## Note 26e 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.

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>(1,123)</b>	<b>(1,045)</b>
Transfer of deferred sale proceeds to the DCCR	50	-
Transfer to the Capital Receipts Reserve upon receipt of cash	28	30
<b>Balance at 31st March</b>	<b>(1,045)</b>	<b>(1,015)</b>

## Note 26f 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.

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>870,731</b>	<b>589,789</b>
Remeasurement of the Net Defined Benefit Liability	(335,358)	(638,498)
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	107,257	107,455
Employer's pensions contributions and direct payments to pensioners payable in the year	(52,841)	(58,746)
<b>Balance at 31st March</b>	<b>589,789</b>	<b>-</b>

## Note 26g&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.

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>33,630</b>	<b>15,723</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	(17,907)	(24,142)
<b>Balance at 31st March</b>	<b>15,723</b>	<b>(8,419)</b>

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>8,577</b>	<b>8,879</b>
Settlement or cancellation of accrual made at the end of the preceding year	(8,577)	(8,879)
Amounts accrued at the end of the current year	8,879	9,973
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	302	1,094
<b>Balance at 31st March</b>	<b>8,879</b>	<b>9,973</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 26i Unusable Reserves (continued)

### *Dedicated Schools Grant Adjustment Account*

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where an authority has incurred a deficit between the 1st April 2020 to 31st March 2023 Local Authorities are required to reverse this out to an unusable reserve as part of a temporary statutory override. The Council is unable to charge these deficits to the General Fund

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	-	<b>3,643</b>
School budget deficit transferred from General Fund in accordance with statutory requirements	3,643	3,007
<b>Balance at 31st March</b>	<b>3,643</b>	<b>6,650</b>

## Note 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2021/22	2022/23
	£000	£000
Interest received	(1,996)	(4,370)
Interest paid	15,834	16,347
<b>Net interest</b>	<b>13,838</b>	<b>11,977</b>

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

	2021/22	2022/23
	£000	£000
Depreciation	(55,764)	(70,775)
Downward revaluations, impairment losses and reversal of prior year impairments	(44,673)	(31,652)
Amortisation	(515)	(255)
Increase / (decrease) in creditors	(27,643)	25,753
(Increase) / decrease in debtors	(17,108)	4,213
(Increase) / decrease in inventories	562	(215)
Movement in pension liability	(54,416)	(48,709)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(46,379)	(21,889)
Other non-cash items charged to the net surplus or deficit on the provision of services	2,084	1,061
	<b>(243,852)</b>	<b>(142,468)</b>

## Note 27 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:

	2021/22	2022/23
	£000	£000
Capital Grants credited to surplus or deficit on the provision of services	77,032	61,879
Proceeds from the sale of property plant and equipment, investment property and intangible assets	21,962	35,172
	<b>98,994</b>	<b>97,051</b>

## Note 28 Cash Flow Statement Investment Activities

	2021/22	2022/23
	£000	£000
Purchase of property, plant and equipment and intangible assets	136,969	110,729
Purchase of short-term and long-term investments	170,000	162,800
Other payments for investing activities	-	-
Proceeds from sale of property, plant and equipment and intangible assets	(21,962)	(35,172)
Proceeds from short-term and long-term investments	(174,999)	(158,499)
Other receipts from investing activities	(81,368)	(58,695)
<b>Net Cash Flows from Investing Activities</b>	<b>28,640</b>	<b>21,163</b>

## Note 29 Cash Flow Statement Financing Activities

	2021/22	2022/23
	£000	£000
Cash receipts of short and long-term borrowing	(31,950)	(49,350)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	540	961
Repayments of short and long-term borrowing	31,744	37,854
<b>Net Cash Flows from Financing Activities</b>	<b>334</b>	<b>(10,535)</b>



## Note 30 - 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 £0.73m (Adult Social Care contribution of £0.65m and Education contribution of £0.08m) to the pool during 2022/23 (£0.71m in 2021/22 of which Adult Social Care contributed £0.63m and Education contributed £0.08m) and this expenditure is also included in the Adult Social Care line and the Education of the Comprehensive Income and Expenditure Statement.

As host partner Leicester City Council commissions the goods and services, with each partner then accounting for their own share of these goods and services, as set out in the table on the righthand side.

	2021/22	2022/23
	£000	£000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	712	733
Leicestershire County Council	1,232	1,463
Rutland County Council	72	78
Leicester City CCG	1,387	-
East Leicestershire and Rutland CCG	1,473	-
West Leicestershire CCG	1,707	-
NHS Leicester, Leicestershire & Rutland ICB	-	4,778
<b>Total Funding provided to the pooled budget</b>	<b>6,583</b>	<b>7,052</b>
<b>Total Expenditure met from the pooled budget</b>	<b>6,583</b>	<b>7,052</b>

## Note 30 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.

The City Council contributed £20.3m to the pool in 22/23 (£18.4m Adult Social Care and £1.9m City Development and Neighbourhoods). In 21/22 this was £19.8m (£17.9m Adult Social Care and £1.9m City Development and Neighbourhood). This expenditure is also included in those respective lines in the Comprehensive Income and Expenditure statement.

	2021/22	2022/23
	£000	£000
<b><u>Income</u></b>		
<b>Revenue</b>		
ICB Minimum Fund	26,617	28,136
Improved Better Care Fund (iBCF)	17,040	17,556
Additional ICB Contribution	15,984	-
<b>Total Revenue Income</b>	<b>59,641</b>	<b>45,692</b>
Capital-Disabled Facilities Grant	2,714	2,714
<b>Total Income</b>	<b>62,355</b>	<b>48,406</b>
<b><u>Expenditure</u></b>		
<b>Revenue</b>		
Actual Spend incurred by LCC managed schemes incl IBCF	34,622	36,198
Actual spend incurred by LCCCG & LPT (Leicestershire Partnership Trust) managed schemes	25,019	9,494
<b>Total Revenue Expenditure</b>	<b>59,641</b>	<b>45,692</b>
<b>Capital</b>		
Disabled Facilities Grant	2,714	2,714
<b>Total Capital Expenditure</b>	<b>2,714</b>	<b>2,714</b>
<b>Total Expenditure</b>	<b>62,355</b>	<b>48,406</b>

Details of the income and expenditure in the pool are provided in the table above.

- Activity where funding was received and expended under the control of Clinical Commissioning Group has been accounted for in their accounts
- Activity where funding was received and expended under the control of the Council has been accounted for in the Council's accounts
- Activity where funding was under joint control has been accounted for on the basis of the share for each organisation

## Note 31 Members' Allowances

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

	2021/22	2022/23
	£	£
Basic Allowance Payments	614,452	625,276
Special Responsibility Payments	423,424	403,191
General Expense Payments	72,415	73,947
<b>Total</b>	<b>1,110,291</b>	<b>1,102,414</b>

## Note 32 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 2022/23, 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 2022/23 with comparative data from 2021/22 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 - Alison Greenhill (Head of Paid Service)	2022/23	152,629	38,904	-	<b>191,533</b>
	2021/22	148,742	36,461	-	<b>185,203</b>
Director Delivery, Communications & Political Governance	2022/23	108,527	30,062	-	<b>138,589</b>
	2021/22	107,149	28,603	-	<b>135,752</b>
Director of Finance - S151 Officer (Note 1)	2022/23	31,976	8,857		<b>40,833</b>
City Barrister & Head of Standards - Monitoring Officer (Note 2)	2022/23	82,775	22,879		<b>105,654</b>
	2021/22	81,215	21,636		<b>102,851</b>
Strategic Director Social Care and Education	2022/23	143,033	39,620		<b>182,653</b>
	2021/22	141,108	37,676	-	<b>178,784</b>
Strategic Director - City Development & Neighbourhoods	2022/23	143,033	39,620		<b>182,653</b>
	2021/22	135,616	36,210	-	<b>171,826</b>
Director of Public Health	2022/23	101,869	12,913		<b>114,782</b>
	2021/22	99,944	13,215	-	<b>113,159</b>

Notes:

- 1) The new Director of Finance took up the role in December 2022
- 2) The City Barrister works on a part time basis

## Note 32 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 to the right. In line with the relevant regulations, the table excludes the senior officers listed in the previous table.

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 employers' 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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
<b>50,000-54,999</b>	84	97	77	97	161	194
<b>55,000-59,999</b>	50	44	40	37	90	81
<b>60,000-64,999</b>	33	26	43	49	76	75
<b>65,000-69,999</b>	12	32	14	21	26	53
<b>70,000-74,999</b>	12	14	14	11	26	25
<b>75,000-79,999</b>	3	1	15	15	18	16
<b>80,000-84,999</b>	8	7	3	7	11	14
<b>85,000-89,999</b>	-	1	9	5	9	6
<b>90,000-94,999</b>	-	1	-	4	-	5
<b>95,000-99,999</b>	7	-	-	-	7	-
<b>100,000-104,999</b>	1	7	2	1	3	8
<b>105,000-109,999</b>	-	-	1	2	1	2
<b>110,000-114,999</b>	-	-	1	2	1	2
<b>115,000-119,999</b>	-	-	1	-	1	-
<b>130,000-134,999</b>	1	-	-	-	1	-
<b>135,000-139,999</b>	-	-	-	1	-	1
<b>Total</b>	<b>211</b>	<b>230</b>	<b>220</b>	<b>252</b>	<b>431</b>	<b>482</b>

## Note 33 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:

	2021/22	2022/23
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	173	179
Fees payable for the certification of grant claims and returns for the year	62	54
Fees payable in respect of other services provided during the year	26	30
<b>Total</b>	<b>261</b>	<b>263</b>

## Note 34 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.

Regulations for DSG deficits which affect the financial years between the 1st April 2020 to 31st March 2023 require where Local Authorities incur a deficit that it must be carried forward in the schools budget to be funded from future DSG income. Therefore, this deficit is included in the unusable reserve titled DSG Grant Adjustment Account in Note 26.

Details of the deployment of DSG receivable for 2022/23 are as follows:

2022/23	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2022/23 before Academy recoupment</b>	-	-	<b>391,732</b>
Academy figure recouped for 2022/23	-	-	(143,152)
<b>Total DSG after Academy recoupment for 2022/23</b>	-	-	<b>248,580</b>
Brought forward from 2021/22	-	-	
<b>Agreed initial budgeted distribution in 2022/23</b>	<b>92,992</b>	<b>155,588</b>	<b>248,580</b>
In year adjustments	(324)	204	(120)
<b>Final budgeted distribution for 2022/23</b>	<b>92,668</b>	<b>155,792</b>	<b>248,460</b>
Actual central expenditure for the year	(95,675)	-	(95,675)
Actual ISB deployed to schools	-	(155,792)	(155,792)
Local Authority contribution for 2022/23	-	-	-
<b>In year Carry forward to 2023/24</b>	<b>(3,007)</b>	-	<b>(3,007)</b>
DSG unusable Reserve at the end of 2021/22			(3,643)
<b>Total of DSG unusable reserve at the end of 2022/23</b>			<b>(6,650)</b>

2021/22	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2021/22 before Academy recoupment</b>	-	-	<b>370,708</b>
Academy figure recouped for 2021/22	-	-	(132,538)
<b>Total DSG after Academy recoupment for 2021/22</b>	-	-	<b>238,170</b>
Brought forward from 2020/21	-	-	1,433
<b>Agreed initial budgeted distribution in 2021/22</b>	<b>86,837</b>	<b>152,766</b>	<b>239,603</b>
In year adjustments	(638)	-	(638)
<b>Final budgeted distribution for 2021/22</b>	<b>86,199</b>	<b>152,766</b>	<b>238,965</b>
Actual central expenditure for the year	(89,842)	-	(89,842)
Actual ISB deployed to schools	-	(152,766)	(152,766)
<b>Carry forward to 2022/23</b>	<b>(3,643)</b>	-	<b>(3,643)</b>

## Note 35 Grant Income

### Capital grants recognised in the year

The Council received the following capital grants in 2022/23.

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.

	2021/22	2022/23
	£000	£000
<b>Credited to Services (All REFCUS related)</b>		
Devolved Formula Capital Grant	2,020	2,821
Levelling Up Fund	-	1,672
Green Homes Grant	456	1,274
Disabled Facilities Grant	1,028	1,136
S106 Contributions	-	752
ERDF Growth Hub	792	371
Other	97	303
High Streets Heritage Action Zones	583	174
DFT Transforming Cities Fund	271	145
Affordable Warmth	262	17
Phoenix Square Cladding	373	-
DFT Cleaner Bus Technology Grant	195	-
Business Rates Pool	490	-
<b>Total Credited to Services</b>	<b>6,567</b>	<b>8,665</b>



# Note 35 Grant Income (continued)

	2021/22	2022/23
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
DFT Transforming Cities Fund	12,402	12,736
High Needs Provision Capital	2,014	8,420
DFE Capital Maintenance Grant	6,812	7,043
Levelling Up Fund	1,017	6,628
Social Housing Decarbonisation Grant	-	3,376
DFT Integrated Transport Grant	2,576	2,576
Other	249	1,302
DFT Maintenance Grant	1,812	1,812
DFE Basic Need Grant	-	1,688
Other DFT Grants	4,102	1,450
Green Homes Grant*	(752)	1,116
Business Rates Pool	3,405	1,100
Devolved Formula Capital Grant	1,633	1,032
ERDF Low Carbon Projects	657	801
ERDF Growth Hub	168	742
Disabled Facilities Grant	833	725
Other DFE Grants	-	500
High Streets Heritage Action Zones	359	118
Affordable Warmth	-	40
S106 Contributions	1,234	9
Salix Grant	26	-
DFT ZEBRA Grant	18,997	-
Homes England Grant	2,842	-
Land Release Fund	850	-
Phoenix Square Cladding	189	-
Brownfield Land Release Fund	443	-
Green Recovery Fund	202	-
THI Grant	160	-
Getting Building Fund	8,235	-
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>70,465</b>	<b>53,214</b>

## Note 35 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:

	2021/22	2022/23
	£000	£000
<b>Capital Grants Receipts in Advance</b>		
Other DFT Grants	738	2,348
Devolved Formula Capital Grant	3,053	2,025
Green Homes Grant	2,877	366
DFT Breathe Grants	184	184
Social Housing Decarbonisation Grant	4,008	-
S106 Contributions	-	-
<b>Total Capital Grants Receipts in Advance</b>	<b>10,860</b>	<b>4,923</b>
Capital Receipts not Recognised (deposits)	48	48
<b>Total Received in Advance</b>	<b>10,908</b>	<b>4,971</b>

## Note 35 Grant Income (continued)

### Revenue grants recognised in the year

The Council received the following revenue grants in 2022/23.

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.

There are a number of grants marked as other Covid-19 grants, which were received as a consequence of the pandemic.

	2021/22	2022/23
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	29,029	29,923
Social Services Support Grant	13,094	17,659
Section 31 Grants	12,264	21,130
Covid-19 LA Support Grant	11,455	-
Covid-19 Collection Fund Compensation Grants	10,301	4,347
New Homes Bonus Scheme	4,732	2,803
Other	4,173	8,618
Covid-19 Grants- Sales, Fees & Charges Compensation Scheme	3,556	-
Business Support Grants	3,013	-
Other Covid-19 Grants	1,145	430
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>92,762</b>	<b>84,910</b>
<b>Credited to Services</b>		
<b>Children's and Education Services</b>		
Dedicated Schools Grant (see note 35)	238,170	248,580
Other Education	23,270	31,044
Pupil Premium	11,047	12,917
Other Covid-19 Grants	2,458	2,346
<b>Adults and Housing</b>		
Improved Better Care Fund	17,040	17,556
Other Covid-19 Grants	10,150	534
Other Adult Social Care	2,199	4,163
<b>Public Health</b>		
Public Health Grant	27,476	28,248
Other Public Health	1,102	2,097
<b>City Development, Neighbourhoods &amp; Housing</b>		
Other City Development, Neighbourhoods & Housing	16,312	19,717
Waste PFI	2,074	2,591
Other Covid-19 Grants	1,288	702
<b>Corporate and Resources</b>		
Housing Benefit Subsidies	77,495	72,711
Other Covid-19 Grants	7,762	4
Other Corporate and Resources	6,896	10,597
Housing Benefit & Council Tax Benefit Admin Grant	1,152	1,116
Local Council Tax Support Admin Grant	553	433
Waste PFI	517	-
Elections	89	94
<b>Total Credited to Services</b>	<b>447,050</b>	<b>455,450</b>
<b>Total Recognised in Year</b>	<b>539,812</b>	<b>540,360</b>

## Note 35 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:

	2021/22	2022/23
	£000	£000
<b>Children's and Education Services</b>		
Other Education	-	1,022
<b>Adult Social Care</b>		
Other Adult Social Care	500	386
<b>City Development, Neighbourhoods &amp; Housing</b>		
City Development, Neighbourhoods & Housing	1,540	1,720
<b>Corporate and Resources</b>		
Other Corporate and Resources	-	1,928
<b>Public Health</b>		
Public Health	-	72
<b>Taxation &amp; Non Specific Grant Income</b>		
Section 31 Grants	-	-
<b>Total Receipts in Advance</b>	<b>2,040</b>	<b>5,128</b>

## Note 36 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 35 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 31. Remuneration of senior officers is detailed in Note 32.

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.

The Council itself, 15 Members of the Council and 6 senior officers sit (either in a personal capacity or as representatives of the Council) on the governing bodies of 25 different organisations. The Council made a total of £2.2m in payments to twenty one 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 £0.9m was received from fifteen of the organisations, primarily relating to services provided by the Council and interest on an outstanding loan balance.

A senior officer from the Council sits on the board of directors at Leicestershire County Cricket Club, where there is a balance of £2m outstanding on a loan the Council made.

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. A member of the Council is on the board of directors, along with representatives from Leicestershire County Council, Leicestershire district councils, the private sector, voluntary sector and education sector.

The Council made total payments of £4.3m to the LLEP, in the form of contributions and interest payments due on the balances that the Council holds on their behalf. In addition £1.6m was received, £1.4m from the LLEP relates to grants and £0.2m for the provision of services. These are not included in the related party transactions above.

At 31st March 2023 the council held a balance of £26.9m as accountable body to the LLEP.

## Note 37 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
- The underlying need to borrow 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.

	2021/22	2022/23
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>592,872</b>	<b>599,378</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	138,540	111,467
Intangible Assets	370	202
Heritage Assets	45	19
Revenue Expenditure Funded from Capital Under Statute	15,081	30,911
Capital Loans Expenditure		1,877
De Minimis Capital Spend	19	4
Sub-total	<b>154,055</b>	<b>144,480</b>
<b>Sources of Finance</b>		
Capital Receipts	(30,942)	(16,892)
Government Grants & Other Contributions	(83,949)	(104,484)
Sums set aside from revenue:		
Direct Revenue Contributions	(18,752)	(16,625)
(MRP/Loans Fund Principal)	(13,814)	(14,795)
Voluntary provision of financing	(92)	-
Sub-total	<b>(147,549)</b>	<b>(152,796)</b>
<b>Closing Capital Financing Requirement</b>	<b>599,378</b>	<b>591,062</b>
Increase/(Decrease) in underlying need to borrow	5,067	(9,266)
HRA CFR adjustment	-	-
Assets acquired under Finance Leases	914	-
Assets acquired under PFI contracts	525	952
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>6,506</b>	<b>(8,314)</b>

## Note 38 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 2022 £000	31st March 2023 £000
Other Land and Buildings	2,388	2,376
Vehicles, Plant and Equipment	351	263
<b>Total</b>	<b>2,739</b>	<b>2,639</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 2022 £000	31st March 2023 £000
Finance lease liabilities	7,930	7,713
Finance costs payable in future years	13,245	12,818
<b>Total minimum lease payments</b>	<b>21,175</b>	<b>20,531</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2022 £000	31st March 2023 £000	31st March 2022 £000	31st March 2023 £000
Within one year	644	479	217	59
Within 2 to 5 years	1,918	1,918	254	267
Later than 5 years	18,613	18,134	7,459	7,387
<b>Total</b>	<b>21,175</b>	<b>20,531</b>	<b>7,930</b>	<b>7,713</b>

## Note 38 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 2023 £000
Not later than one year	456
Later than one year and not later than 5 years	1,756
Later than 5 years	3,172
<b>Total</b>	<b>5,384</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:

	31st March 2023 £000
<b>Finance Lease Debtor</b>	
Current	30
Non-current	983
Unearned finance income	1,555
<b>Gross Investment in the lease</b>	<b>2,568</b>

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

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 2023 £000
<b>Minimum Lease Payments</b>	
Within one year	96
Within 2 to 5 years	385
Later than 5 years	2,087
<b>Total</b>	<b>2,568</b>



## Note 38 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 2022	31st March 2023
	£000	£000
Not later than one year	6,288	5,861
Later than one year and not later than 5 years	18,964	16,999
Later than 5 years	87,758	84,818
<b>Total</b>	<b>113,010</b>	<b>107,678</b>

## Note 39 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.

2022/23 was the twentieth year of the operation of the contract, costing £18m (£16m in 2021/22).

### *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	Vehicles, Plant	
	& Buildings & Equipment		Total
	£000	£000	£000
Balance at 1st April 2022	7,583	4,058	11,641
Additions	-	952	952
Depreciation	(1,285)	(1,064)	(2,349)
Revaluation	15	-	15
<b>Balance at 31st March 2023</b>	<b>6,313</b>	<b>3,946</b>	<b>10,259</b>

## Note 39 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 2023 (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	Lifecycle Capital Replacement costs	Total
	£000	£000	£000	£000	£000
Within 1 year	6,660	465	662	1,513	9,300
Within 2 to 5 years	27,507	1,898	1,421	6,169	36,995
<b>Total</b>	<b>34,167</b>	<b>2,363</b>	<b>2,083</b>	<b>7,682</b>	<b>46,295</b>

	2021/22	2022/23
	£000	£000
Balance outstanding at 1st April	4,969	3,371
Payments during the year	(2,123)	(1,959)
Additions	525	952
<b>Balance at 31st March</b>	<b>3,371</b>	<b>2,364</b>

## Note 39 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 2022/23 was therefore the fourteenth year of the operation of the contract costing £7.1m.

#### *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 2022	43,611
Additions	-
Revaluations	5,486
Depreciation	(1,148)
<b>Balance at 31st March 2023</b>	<b>47,949</b>

## Note 39 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 2023 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement Costs	Total
	£000	£000	£000	£000	£000
Within 1 year	2,525	1,157	2,142	1,194	7,018
Within 2 to 5 years	10,829	6,708	7,314	3,744	28,595
Within 6 to 10 years	15,390	11,707	5,446	5,757	38,300
Within 11 to 15 years	3,902	4,283	400	156	8,742
<b>Total</b>	<b>32,646</b>	<b>23,855</b>	<b>15,302</b>	<b>10,851</b>	<b>82,655</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:

	2021/22	2022/23
	£000	£000
Balance outstanding at 1st April	26,336	25,188
Payments during the year	(1,148)	(1,333)
<b>Balance at 31st March</b>	<b>25,188</b>	<b>23,855</b>

## Note 39 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 joint PFI project scheme for the re-building 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. 2022/23 was the tenth year of the operation of the contract costing £7.1m.

#### *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:

	Other Land & Buildings £000
Balance at 1st April 2022	80,140
Additions	-
Revaluations/(Impairment)	7,108
Depreciation	(1,977)
<b>Balance at 31st March 2023</b>	<b>85,271</b>

## Note 39 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 2023 are as follows:

	Payment for Services	Reimbursement of Capital	Interest	Lifecycle Capital Replacement	Total
	£000	£000	£000	£000	£000
Within 1 year	2,740	960	2,216	1,455	7,372
Within 2 to 5 years	11,753	5,762	8,064	4,575	30,154
Within 6 to 10 years	16,652	10,342	7,519	5,441	39,954
Within 11 to 15 years	19,141	13,291	3,561	8,007	44,000
Within 16 to 20 years	2,430	1,908	75	982	5,396
<b>Total</b>	<b>52,717</b>	<b>32,263</b>	<b>21,435</b>	<b>20,461</b>	<b>126,876</b>

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

	2021/22	2022/23
	£000	£000
Balance outstanding at 1st April	35,182	33,876
Payments during the year	(1,306)	(1,613)
<b>Balance at 31st March</b>	<b>33,876</b>	<b>32,263</b>

## Note 39 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.

#### 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 2023 are shown in the table:

	Vehicles, Plant & Equipment £000
Balance at 1st April 2022	6,526
Depreciation	(408)
<b>Balance at 31st March 2023</b>	<b>6,118</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 2023 (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	301	752	215	3,061
Within 2 to 5 years	7,172	1,282	2,929	860	12,243
Within 6 to 10 years	8,965	2,516	2,748	1,076	15,305
Within 11 to 15 years	7,542	3,607	1,130	968	13,247
Within 16 to 20 years	2,262	46	15	-	2,323
Within 21 to 25 years	-	-	-	-	-
<b>Total</b>	<b>27,734</b>	<b>7,752</b>	<b>7,574</b>	<b>3,119</b>	<b>46,179</b>



## Note 39 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 2023 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.

	2021/22	2022/23
	£000	£000
Liability for capital expenditure incurred for operational phases	7,809	7,515
Payments during the year	(294)	(310)
<b>Balance at 31st March</b>	<b>7,515</b>	<b>7,205</b>

## Note 40 Termination Benefits

The Council terminated the contracts of a number of employees in 2022/23 incurring liabilities of £0.3m (£0.6m in 2021/22). Of this £0.3m (£0.5m in 2021/22) was for redundancy and other departure costs, and £34k (£77k in 2021/22) 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 and cost of exit packages are set out in the table to the right. In 2022/23 the Council approved 12 compulsory redundancies (27 in 2021/22).

Band	Total number of exit packages by cost band	Total Cost of Exit packages 2021/22	Total number of exit packages by cost band	Total Cost of Exit packages 2022/23
£	2021/22	£	2022/23	£
0 - 20,000	46	290,432	15	111,032
20,001 - 40,000	5	171,132	5	139,620
40,001 - 60,000	2	98,297	1	42,508
<b>Total</b>	<b>53</b>	<b>559,861</b>	<b>21</b>	<b>293,160</b>

## Note 41 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 2022/23, the Council paid £18.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £18.1m and 23.68%.

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 42.

### *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 2022/23, the Council paid £0.1m to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 14.38% of pensionable pay.

## Note 42 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 26th April 2023

The Council participates in three post-employment pension schemes:

- Teachers' Pensions Scheme – see Note 41 for further information
- NHS Pension Scheme – see Note 41 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 42 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.

	2021/22	2022/23
	£000	£000
Comprehensive Income and Expenditure Statement		
<b>Cost of Services</b>		
Current service cost	93,713	91,073
Past service cost	725	35
Settlements and curtailments	(4,943)	-
<b>Total Service Cost</b>	<b>89,495</b>	<b>91,108</b>
Financing and Investment Income and Expenditure		
Expected return on scheme assets	(31,442)	(47,757)
Interest cost	49,204	64,104
<b>Net Interest Cost</b>	<b>17,762</b>	<b>16,347</b>
<b>Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>107,257</b>	<b>107,455</b>
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	(151,650)	32,780
Actuarial (gains)/losses arising from changes in demographic assumptions	(12,738)	(14,652)
Actuarial (gains)/losses arising from changes in financial assumptions	(172,019)	(899,704)
Other Experience adjustments	1,049	169,609
Effect of Asset Ceiling Adjustment	-	73,469
<b>Total remeasurements recognised in the Comprehensive Income and Expenditure Statement</b>	<b>(335,358)</b>	<b>(638,498)</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>(228,101)</b>	<b>(531,043)</b>
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	107,257	107,455
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	(52,841)	(58,746)
<b>Total Movement in Reserves</b>	<b>54,416</b>	<b>48,709</b>

## Note 42 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):

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>2,440,752</b>	<b>2,349,900</b>
Current service cost	93,713	91,073
Past service costs (including curtailments)	725	35
Effect of settlements	(11,637)	-
Interest cost	49,204	64,104
Contributions by scheme participants	11,779	12,826
Benefits paid	(50,928)	(51,645)
Remeasurements arising from changes in financial assumptions	(172,019)	(899,704)
Remeasurements arising from changes in other assumptions	1,049	115,230
Remeasurements arising from changes in demographic assumptions	(12,738)	(14,652)
<b>Balance at 31st March</b>	<b>2,349,900</b>	<b>1,667,167</b>

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

	2021/22	2022/23
	£000	£000
<b>Balance at 1st April</b>	<b>1,570,021</b>	<b>1,760,111</b>
Interest income	31,442	47,757
Effect of settlements	(6,694)	-
Contributions by scheme participants	11,779	12,826
Employer contributions	52,841	58,746
Benefits paid	(50,928)	(51,645)
Other Experience	-	(54,379)
Return on plan assets excluding amounts included in net interest	151,650	(32,780)
<b>Balance at 31st March</b>	<b>1,760,111</b>	<b>1,740,636</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 42 Defined Benefit Pension Schemes (continued)

### Scheme History

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Present value of funded obligations	(2,108,019)	(1,799,983)	(2,390,572)	(2,306,075)	(1,631,155)
Present value of unfunded obligations	(52,381)	(45,181)	(50,180)	(43,825)	(36,012)
Fair value of assets in the scheme	1,348,774	1,244,676	1,570,021	1,760,111	1,740,636
Asset Ceiling Adjustment					(73,469)
<b>Surplus/(deficit) in the scheme</b>	<b>(811,626)</b>	<b>(600,488)</b>	<b>(870,731)</b>	<b>(589,789)</b>	<b>-</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. In previous years the Council has shown a significant liability on the pension fund. However, this year the Council's share of the pension fund assets, exceeds the Council's obligation. This is due to the rise in long term interest rates, leading to expected higher returns on investments. Furthermore, the accounting standards require this to be shown as nil due to the Council's minimum funding contributions for future years being more than the future years service cost which means this asset cannot be realised by the Council. Therefore, following the asset ceiling requirements, this year the final position shown is neither an asset nor liability.

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 2024 is £56.0m. The maturity profile is as follows:

Liability Split	
Active members	40.0%
Deferred members	18.0%
Pensioner members	42.0%
<b>Total</b>	<b>100.0%</b>

The weighted average duration of the defined benefit obligation for scheme members is 18 years as at the date of the most recent valuation.

## Note 42 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 2022

The main assumptions used by the actuary have been:

Local Government Pension Scheme	2021/22	2022/23
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners (years):		
Men	21.5	20.8
Women	24.0	23.9
Longevity at 65 for future pensioners (years):		
Men	22.4	21.7
Women	25.7	25.3
<b>Benefit entitlement assumptions</b>		
Rate of increase in salaries	3.7%	3.45%
Rate of increase in pensions	3.2%	2.95%
Rate for discounting scheme liabilities	2.7%	4.75%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	55.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	55.0%



## Note 42 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:

	2021/22				2022/23			
	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	2,048		2,048	0%	2,025		2,025	0%
Manufacturing	255		255	0%	253		253	0%
Energy and Utilities	2,533		2,533	0%	2,505		2,505	0%
Financial Institutions	3,557		3,557	0%	3,517		3,517	0%
Health and Care	1,428		1,428	0%	1,413		1,413	0%
Information Technology	734		734	0%	726		726	0%
Other	4,125		4,125	0%	4,080		4,080	0%
<b>Debt Securities</b>								
UK Government	88,151	208	88,359	5%	87,175	205	87,381	5%
Other	3,301		3,301	0%	3,265		3,265	0%
<b>Private Equity</b>								
All		117,708	117,708	7%		116,406	116,406	7%
<b>Real Estate</b>								
UK Property		135,420	135,420	8%		133,921	133,921	8%
<b>Investment Fund and Unit Trusts</b>								
Equities	504,385	306,006	810,391	46%	498,804	302,620	801,424	46%
Bonds			-	0%			-	0%
Hedge Funds			-	0%			-	0%
Commodities		44,169	44,169	3%		43,681	43,681	3%
Infrastructure		92,025	92,025	5%		91,007	91,007	5%
Other	149,647	211,883	361,530	21%	147,991	209,539	357,529	21%
<b>Derivatives</b>								
Foreign Exchange	3,652		3,652	0%	3,611		3,611	0%
<b>Cash and Cash Equivalents</b>								
All	88,876		88,876	5%	87,893		87,893	5%
<b>Total</b>	<b>852,692</b>	<b>907,419</b>	<b>1,760,111</b>	<b>100%</b>	<b>843,257</b>	<b>897,379</b>	<b>1,740,636</b>	<b>100%</b>

## Note 42 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 31st March 2023	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2.0%	29,925
0.1% increase in the Salary Increase Rate	0.0%	3,343
1 Year Increase in Life Expectancy	4.0%	66,687
0.1% increase in the Pension Increase Rate	2.0%	27,028

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 43 Contingent Liabilities

A claim has been lodged with HM Courts and Tribunal Service by Biffa Group Holdings (UK) Limited and group companies, regards disputed matters in relation to payments due under the PFI contract for waste management (see Note 39). There is potential for this to progress through the high court process, with a full court hearing unlikely to be until 2025. It is not practicable at this time to estimate the financial effect. It is however unlikely that the council would receive any reimbursement.

## Note 44 Contingent Assets

The council has no contingent assets to disclose in the 2022/23 accounts.

## Note 45 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 45 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	Included in above
Repurchase Agreements (REPO)	1 year	To be no less secure than a deposit	£20m	Included in above

## Note 45 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	3 Years	None required	Unlimited	£300m
Bonds	Local Government Bonds Agency	6 Years	A long term rating of A+	£20m	
Bonds, Bills and Deposits	UK Public Sector & Quasi-Public Sector	6 Years	A long term rating of A+	£20m	£40m
Deposits and Treasury Bills	UK Government / UK Government Guarantee	6 Years	None required	Unlimited	Unlimited
Deposits & Bonds	UK Housing Associations	3 Years	None required	£20m	£20m
Bonds	International Development Banks	6 Years	A long term rating of AA– plus backing of one or more G7 countries.	£10m	£40m

## Note 45 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
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	AAf	£25m—Money Market Funds £20m—Short dated bond funds & Money Market plus funds	£180m of which no more than: <ul style="list-style-type: none"> <li>£130m in Money Market Funds</li> <li>£50m in Money Market plus/cash plus funds/short dated bond funds</li> </ul>
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	£50m
Property Funds	Various Fund Managers	Investments can be sold in market.	Not Applicable	£10m	£30m
Diversified Investment Funds	Various Fund Managers	Access with 3 months notice but would normally wish to hold for at least 5 years	Not Applicable	£20m	£20m



## Note 45 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 £33m as at 31st March 2023 (£125m as at 31st March 2022) 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 2023 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 £197m (£188m as at 31st March 2022). Such investments are assessed to be virtually risk free.

As a result of loan repayments in 22/23 and having already made prudent provision in previous years, the Council has reversed credit impairments of £0.1m in 2022/23, based on historical experience and market conditions at 31st March 2023. There were also reversals of credit impairments of £0.1m in 2021/22.

## Note 45 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 2023 was £24.4m (£19.9m as at 31st March 2022). The following matrix is used for both 2022/23 and 2021/22 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 2023 will be £10.8m (£10.1m as at 31st March 2022) and that the impaired value of these debts are £13.6m (£9.8m as at 31st March 2022).

The following table shows current receivables analysed by age, and the impaired value after allowing for default, credit losses 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. Notwithstanding the carrying amount as reported on the balance sheet has been reduced to account for impairment in line with the code.

	31st March 2022		31st March 2023	
	Due	Impaired Value	Due	Impaired Value
	£000	£000	£000	£000
Less than 3 months	7,427	7,178	11,131	10,978
Three to six months	1,533	1,150	1,596	1,197
Six months to one year	2,214	840	2,129	819
More than one year	8,750	667	9,532	616
<b>Total</b>	<b>19,924</b>	<b>9,835</b>	<b>24,388</b>	<b>13,610</b>

## Note 45 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 2022 £000	31st March 2023 £000
Not over 1	19,055	30,270
Over 1 but not over 2	4,268	25,121
Over 2 but not over 5	14,902	15,703
Over 5 but not over 10	26,068	27,103
Over 10 but not over 20	34,692	27,900
Over 20 but not over 30	75,400	135,534
Over 30	119,736	38,758
<b>Total</b>	<b>294,121</b>	<b>300,389</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. In 2022/23 due to increases in interest rates, it is becoming more likely that the lender could exercise this option and the Council is likely to repay these loans. Therefore in the 22/23 column in the tables above these are shown as maturing on the next option date.

## Note 45 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	417
Increase in interest receivable on short term investments	36
Increase in interest payable on variable rate loans	(240)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>213</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 *	936
Decrease in fair value of fixed rate borrowings/liabilities *	31,833

\*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 45 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 £350k. 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.

2021/22		2022/23	
£000		Note	£000
	<b><u>Income</u></b>		
(74,564)	Dwelling Rents	5	(77,085)
(373)	Non-dwelling Rents	6	(352)
(5,861)	Service Charges	6	(6,036)
(752)	Contributions & Miscellaneous income		(978)
<b>(81,550)</b>	<b>Total Income</b>		<b>(84,451)</b>
	<b><u>Expenditure</u></b>		
13,194	General Management		14,097
13,456	Special Management	3	15,074
32,137	Repairs & Maintenance		36,489
1,428	Rent, Rates, Taxes & Other Charges		1,901
13	Increase/ (Decrease) in Bad Debt Provision	4	346
42,165	Depreciation & Impairment of Fixed Assets	12	35,007
60	Debt Management Expenses		60
489	Other Expenditure		450
<b>102,942</b>	<b>Total Expenditure</b>		<b>103,424</b>
710	HRA share of Corporate & Democratic Core		710
<b>22,102</b>	<b>"HRA Comprehensive Income and Expenditure Line"</b>		<b>19,683</b>
<b>22,102</b>	<b>Net Cost of HRA Services</b>		<b>19,683</b>
3,124	(Gain) or Loss on Sale of HRA Assets		1,928
8,737	Loan Charges - Interest		9,434
(306)	Investment Interest		(742)
5,318	Pensions - Interest on Liabilities	14	6,902
(3,398)	Pensions - Expected Return on Assets	14	(5,142)
<b>35,577</b>	<b>(Surplus) / Deficit for the Year</b>		<b>32,063</b>



# Housing Revenue Account (HRA) Statements - Movement in Reserve

2021/22			2022/23
£000		Note	£000
35,577	(Surplus) / Deficit for the Year (from above)		32,063
<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>			
359	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		359
(6,595)	HRA share of contributions to/(from) the Pension Reserve	14	(5,519)
(3,124)	Gain or (Loss) on Sale of HRA Fixed Assets		(1,928)
(42,165)	Depreciation and capital expenditure not adding value for Fixed Assets	12	(35,007)
5,946	Capital Expenditure Financed from Revenue Account	10	829
947	HRA Set-Aside (MRP)		1,253
12,680	Transfers to/(from) the Major Repairs Reserve	13	15,558
89	Transfers to/(from) the Employee Benefits Reserve		(4)
(489)	Other Adjustments		(450)
(32,352)	Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance		(24,909)
3,225	Net (Surplus)/Deficit on the Housing Revenue Account in the year		7,154
(35,757)	Balance Brought Forward 1st April 2022		(32,532)
(32,532)	Balance Carried Forward 31st March 2023 - (Surplus)/Deficit		(25,378)

# 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 2023 was £1.0m (£1.0m at 31st March 2022). This is calculated on a rent and service charge arrears balance of £2.8m (£3m in 2021/22).

## 5. Net Rent Income from Dwellings

	2021/22	2022/23
	£000	£000
Total Rent income from Dwellings	74,564	77,085
Less Housing Benefit	(27,633)	(26,029)
<b>Total</b>	<b>46,931</b>	<b>51,056</b>

## 6. Non -Dwelling Rents and Service Charges

These include the charges made to tenants and leaseholders for district heating, garages, security and cleaning services to flats.

## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 7. Housing Stock

Changes to Housing Stock:

	2021/22	2022/23
Number of Dwellings at 1st April	20,066	19,847
Construction of new dwellings	-	-
Acquisitions	92	51
Right to Buy sales	(311)	(329)
Other Disposals	-	(134)
<b>Number of Dwellings at 31st March</b>	<b>19,847</b>	<b>19,435</b>

### 8. Value of HRA Assets

	31st March 2022	31st March 2023
	£000	£000
Dwellings	1,161,369	1,246,625
Other Land and Buildings	21,848	23,405
Assets Under Construction	-	1,563
Vehicles, Plant, Furniture & Equipment	22	-
Surplus Assets	298	910
Assets Held for Sale	-	441
Intangible Assets	14	7
<b>Total</b>	<b>1,183,551</b>	<b>1,272,951</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 2023 was £3bn. At the same date the balance sheet value of council dwellings was £1.2bn. The difference of £1.8bn 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 2022	31st March 2023
	£000	£000
Vacant possession values	2,764,841	2,968,075

### 10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2022/23 totalled £33m, financed as follows:

	2021/22	2022/23
	£000	£000
Major Repairs Reserve	12,680	15,558
Use of borrowing	14,859	6,195
Other grants and contributions	-	1,239
Usable capital receipts	16,865	9,328
Financing from revenue account	5,946	829
<b>Total</b>	<b>50,350</b>	<b>33,149</b>

### 11. Capital Disposals

HRA capital disposals in 2022/23 were as follows:

	2021/22	2022/23		
	Total Receipt	Usable/ Retained	Pooled/ Set aside	Total Receipt
	£000	£000	£000	£000
Right to Buy (RTB) sales	(17,993)	(14,202)	(5,027)	(19,229)
<b>Total</b>	<b>(17,993)</b>	<b>(14,202)</b>	<b>(5,027)</b>	<b>(19,229)</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.

	2021/22				2022/23			
	Depreciation	Capital expenditure not adding value	Other Impairments	Total	Depreciation	Capital expenditure not adding value	Other Impairments	Total
	2021/22 £000	2021/22 £000	2021/22	2021/22 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000
Dwellings	11,459	20,138	8,828	40,425	12,536	18,296	-	30,832
Other Land and Buildings	736	132	-	868	2,623	416	-	3,039
Vehicles, Plant, Furniture & Equipment	437	-	-	437	388	-	-	388
Surplus Assets	4	(4)	-	-	4	-	737	741
Intangible Assets	44	391	-	435	7	-	-	7
<b>Total</b>	<b>12,680</b>	<b>20,657</b>	<b>8,828</b>	<b>42,165</b>	<b>15,558</b>	<b>18,712</b>	<b>737</b>	<b>35,007</b>

## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 13. Use of Major Repairs Reserve

	2021/22	2022/23
	£000	£000
Balance at 1st April	-	-
Depreciation credited	(12,680)	(15,558)
Capital expenditure on land, houses and other property	12,680	15,558
<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 42 to the core financial statements.

	2021/22	2022/23
	£000	£000
Pension costs incurred in Net Cost of Services:		
Current service cost	(4,676)	(3,759)
	<b>(4,676)</b>	<b>(3,759)</b>
Pension interest cost and expected return on assets:		
Interest on liabilities	(5,318)	(6,902)
Expected return on assets	3,398	5,142
	<b>(1,920)</b>	<b>(1,760)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(6,596)</b>	<b>(5,519)</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.

2021/22			2022/23			
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000	Note	£000	£000	£000
<b>Income</b>						
(155,104)		(155,104)	Council Tax Collectable	2	(164,961)	(164,961)
	(89,458)	(89,458)	Income from Business Ratepayers		(97,885)	(97,885)
	(24)	(24)	Transitional Protection payments - Business Rates		333	333
		<b>(244,586)</b>	<b>Total Income</b>			<b>(262,513)</b>
<b>Expenditure</b>						
Precepts and Demands:						
126,790		126,790	Leicester City Council	3	134,424	134,424
18,569		18,569	Police & Crime Commissioner for Leicestershire		19,884	19,884
5,183		5,183	Leicestershire & Rutland Combined Fire Authority		5,720	5,720
		<b>150,542</b>				<b>160,028</b>
Business Rates:						
	55,789	55,789	Payments to Government	4	46,982	46,982
	1,116	1,116	Payments to Fire		940	940
	54,673	54,673	Payments to Leicester City Council		46,043	46,043
	478	478	Costs of Collection		483	483
		<b>112,056</b>				<b>94,448</b>
(1,933)	(49,474)	(51,407)	Contributions in respect of previous year's surplus / (deficit)	6	(1,043)	(37,019)
						(38,062)
Bad and Doubtful Debts:						
988	969	1,957	Write-offs	7	1,150	1,688
1,093	(1,780)	(687)	Increase / (Reduction) to provision		2,162	(66)
	(1,116)	(1,116)	Increase / (Reduction) to Provision for appeals			(6,209)
		154				(1,275)
		<b>211,345</b>	<b>Total Expenditure</b>			<b>215,139</b>
(4,414)	(28,827)	(33,241)	Fund (Surplus) / Deficit for the Year		(2,663)	(44,710)
5,688	58,752	64,440	Fund (Surplus) / Deficit brought forward	5	1,274	29,925
<b>1,274</b>	<b>29,925</b>	<b>31,199</b>	<b>FUND BALANCE AS AT 31st MARCH - (Surplus)/Deficit</b>	<b>1</b>	<b>(1,389)</b>	<b>(14,785)</b>
						<b>(16,175)</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:

	2021/22			2022/23		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Leicester City Council	1,073	14,663	15,736	(1,160)	(7,244)	(8,404)
Government	-	14,963	14,963	-	(7,393)	(7,393)
Leicestershire & Rutland Combined Fire Authority	46	299	345	(51)	(148)	(199)
Police & Crime Commissioner for Leicestershire	155	-	155	(178)	-	(178)
<b>Fund Balance Allocations as at 31st March</b>	<b>1,274</b>	<b>29,925</b>	<b>31,199</b>	<b>(1,389)</b>	<b>(14,785)</b>	<b>(16,174)</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 2022/23 was £165m including arrears from prior years.

The collectable Council Tax specifically for 2022/23 was £190.3m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£24.3m), the average number of Band D dwellings equates to 79,304. This is an increase from the 77,001 dwellings existing when the 2022/23 budget was prepared.

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-	254	5/9	141	48	93
A	70,166	6/9	46,777	9,324	37,453
B	24,198	7/9	18,821	1,857	16,964
C	14,086	8/9	12,521	899	11,622
D	6,001	9/9	6,001	263	5,738
E	3,205	11/9	3,917	104	3,813
F	1,477	13/9	2,133	41	2,092
G	567	15/9	945	7	938
H	30	18/9	60	0	60
	<b>119,984</b>		<b>91,316</b>	<b>12,543</b>	<b>78,773</b>
Less adjustments for collection rates and other adjustments.					(1,772)
<b>Council Tax Base</b>					<b>77,001</b>

## Collection Fund Explanatory Notes (continued)

### 3. Precepts and Demands

The following sums were paid from the collection fund.

	2021/22 £000	2022/23 £000
Leicester City Council	126,790	134,424
Police & Crime Commissioner for Leicestershire	18,569	19,884
Leicestershire & Rutland Combined Fire Authority	5,183	5,720
<b>Total</b>	<b>150,542</b>	<b>160,028</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.

	31st March 2022 £	31st March 2023 £
<b>Non Domestic Rateable Value</b>	<b>303,993,706</b>	<b>302,917,580</b>
	<b>2021/22</b>	<b>2022/23</b>
Non Domestic Rating Multiplier	51.2p	51.2p
Non Domestic Rating Multiplier- Small Business	49.9p	49.9p

## Collection Fund Explanatory Notes (continued)

### 5. Collection Fund Surpluses & Deficits

The Collection Fund account shows a cumulative surplus of £16.2m at 31<sup>st</sup> March 2023 (£31.2m deficit at 31<sup>st</sup> March 2022) for Council Tax and Business Rates.

The surplus arising from business rates is £14.8m (£29.9m deficit at 31st March 2022). This has arisen due to less business rates reliefs than originally budgeted and changes in the forecast for loss of business rate appeals. In addition, there was a requirement for the 2020/21 deficit to be realised over three years, which is reducing the surplus. However, it should be noted that the Council was compensated through government grants and these are recognised in the main financial statements.

The surplus arising on Council Tax is £1.4m (£1.3m deficit 31st March 2022). The surplus that has arisen on Council Tax 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.

Similar to business rates, in 2020/21 as a result of the pandemic the Council incurred a significant deficit on Council Tax that was required to be spread the over 3 years. The third year of this spreading is 2023/24. This will continue to be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire

## 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 Deficit – Jan 2022</b>	<b>879</b>	<b>126</b>	<b>38</b>	<b>1,043</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 2022</b>	<b>18,139</b>	<b>18,510</b>	<b>370</b>	<b>37,019</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 1st April 2022	Bad Debt Write- offs In year	Increase/ (Decrease) to Provision	Balance at 31st March 2023
	£000	£000	£000	£000
Council Tax	13,014	(1,150)	3,312	15,176
NNDR	5,607	(1,688)	1,622	5,541
<b>Total</b>	<b>18,621</b>	<b>(2,838)</b>	<b>4,934</b>	<b>20,717</b>

# Annual Governance Statement

# Leicester City Council Annual Governance Statement 2022-23

## 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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

This statement is produced in fulfilment of the requirements under the Accounts and Audit Regulations 2015, to prepare an annual governance statement which covers:

- The Council's governance arrangements
- The role of those responsible for the development and maintenance of the governance environment

- Any significant risks or priorities that have been identified
- An assessment of the effectiveness of key elements of the Council's governance framework

## 2. The Arrangements

The Council has an approved Local Code of Corporate Governance which is based on seven core principles taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the ‘International Framework’). A diagram showing the seven core principles is included in Appendix 1.

Appendix 2 is then a summary of the governance arrangements within which the Council works; and Appendix 3 shows how the Council assesses its governance arrangements to inform the Annual Governance Statement.

The following section details the systems, policies and procedures the Council has in place for governance and how this links to the seven core principles for good governance in the public sector included in the diagram at Appendix 1.

**A) The Council behaves with integrity, demonstrates strong commitment to ethical values, and respects the rule of law by having the following codes and rules which are followed:**

- Constitution
- Financial Procedure Rules

- Code of Conduct for Members
  - Code of Conduct for Employees
  - Anti-fraud, Bribery and Corruption Policy
  - Whistleblowing Policy
  - Anti-Money Laundering Policy
  - Information Governance & Risk Policy
- B) The Council ensures Openness and Comprehensive Stakeholder Engagement through the following:**
- Open Council & committee meetings with published minutes
  - Published Executive decisions
  - Scrutiny of Executive projects through scrutiny commissions
  - Call in periods for Executive decisions
  - Public engagement through consultation, representations and petitions
  - Use of social media engagement on key projects and partnership working
  - Publication of Freedom of Information Act responses and transparency data
  - A range of communication channels including press-release and other communications linked to significant decisions and council activity



## Leicester City Council Annual Governance Statement 2022-23 (continued)

### 2. The Arrangements (continued)

**C) The Council defines outcomes in terms of sustainable economic, social and environmental benefits through the City Mayor's strategic vision which contain a number of key pledges and which have been regularly scrutinised:**

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

**D) The Council determines the interventions necessary to optimise the achievement of the intended outcomes by supporting the above key pledges with the following key plans:**

- Economic Recovery
- Budget Strategy (updated annually)
- Corporate Estate Annual Report
- Leicester Labour Market Partnership (Textile) Review 2020-22

- Leicester Street Design Guide
- Joint Health & Wellbeing Strategy 2019-2024
- Knife Crime and Serious Violence Strategy 2021-2023
- Local Transport Plan 2011-2026
- Tourism Action Plan 2020-2025
- Economic Action Plan

**E) The Senior Leadership team continue to develop the entity's capacity, including the capability of its leadership and the individuals within it and this is 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

**F) The Council manages risks and performance through robust internal control and strong public financial management by reviewing 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 risk management strategy and policy and regular monitoring, evaluation and reporting on strategic and operational risks
- Annual review of the Assurance Framework

## Leicester City Council Annual Governance Statement 2022-23 (continued)

### G) The Council Implements good practices in transparency, reporting, and audit to deliver effective accountability. This is demonstrated through:

- External Audit
- Annual Financial Statements
- Annual Governance Statement
- Open Council & committee meetings with published minutes
- Published Executive decisions accompanied by external communications
- Compliance with CIPFA codes of Practice (including the Financial Management Code)
- Scrutiny Commissions and regulatory committees
- External inspections and reviews of services

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 (continued)

The Audit & Risk Committee considers a wide range of business as part of its central role as part of the Council's system of corporate governance, risk management, fraud and internal control. The Audit & Risk Committee is complemented by the various scrutiny committees.

Any areas or activities that identify significant weaknesses in financial controls, governance arrangements or the management of risk through the Council's review of processes are then reported to the Audit & Risk Committee.

Key items that the Audit and Risk Committee considered throughout the year were:

- Annual review of local code of corporate governance
- Progress against internal audit plans
- Regular progress updates on the external audit of the statement of accounts
- Performance of the Council in authorising regulatory investigation powers
- Procurement annual report
- Insurance annual report
- Fraud, corruption and anti-money laundering reports
- Strategic & operational risk registers
- Business continuity strategies and policies
- Whistleblowing policy review
- Corporate complaints
- Complaints made to the Local Government and Social Care Ombudsman and the Housing Ombudsman

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 is supported by Appendix 4 which demonstrates how the Council complies with the CIPFA Financial Management Code and the internal audit opinion which stated:

**"A return to more stable working environments following covid-19, along with a fully staffed Internal Audit Service throughout the year, resulted in increases to both the number of audits undertaken and days provided. There was a noticeable shift back to assurance based audits."**

**There was a reduction in the proportion of audits returning partial assurance ratings and management accepted and has responded to internal audit recommendations. Nothing else of significance has been brought to his attention so the HoIAS\* considers that during 2022-23, reasonable assurance can be given that the Council's control environment remained overall adequate and effective"**

#### \*Head of Internal Audit Service

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 2022-23 (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 2021/22

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Action taken to Date
<p><b>Construction cost inflation pressures</b> – It is nationally documented that construction cost inflation is increasing the cost of capital projects. There are several issues affecting construction prices such as:</p> <ul style="list-style-type: none"> <li>• Covid 19,</li> <li>• Brexit effect on imported materials,</li> <li>• Ukraine war and Russia's economic sanctions.</li> </ul>	<p>The Council has been monitoring and reviewing construction costs against both local and national indices. Through project boards and governance structures, where appropriate inflation profiles are being monitored and reflected in project, finance and risk profiles reports.</p> <p>To date, circa £5m is identified as likely to be required, which aligns to provisions previously made early within the capital programme to mitigate this issue.</p>
<p><b>Medium Term Financial Strategy</b> - We set a balanced budget for 2022/23. We only had the government finance settlement for 2022/23 when we set the budget, but national spending plans suggested we faced major problems in paying for the rising cost of adult social care without adequate government funding.</p>	<p>The Council continuously reviewed budgets throughout the year and took savings once identified which helped reduce the scale of expected future deficits.</p> <p>The Council has set a balanced budget for 2023/24, with the use of managed reserves.</p>
<p><b>Inflation &amp; Supply Chain issues</b> – in addition to the cost pressures being seen in relation to construction contracts, the Council saw similar pressures impacting revenue budgets: in particular, gas and vehicle fuel prices. This in turn had an impact on city residents who were affected by cost of living increases, putting additional demands on the Council's services.</p>	<p>The Council has continued to monitor these costs and has implemented a series of cost mitigation strategies for energy usage.</p> <p>Engagement has continued with the supply chain, to ensure impacts on budgets are minimised.</p> <p>For residents across all services, mitigation strategies have been put in place, for example in social housing district heating charges and rental debts. The Council has introduced a cost of living support area on its website.</p>

## Leicester City Council Annual Governance Statement 2022-23 (continued)

### Issues Identified in 2021/22 Continued

Issue Identified	Action taken to Date
<p><b>Covid-19 Pandemic</b> – like all authorities the Council continued to be impacted by the pandemic in various ways. This included direct incident response such as provision of contact tracing and administration of support such as self-isolation payments to residents and grants to businesses. The pandemic continued to have a financial impact on spending, and changed the nature of some service provision. Close political and managerial oversight of the Covid-19 response was maintained with regular engagement and reporting to the Executive and scrutiny committees (via the City Incident Management Group and across Leicester, Leicestershire and Rutland via the Local Resilience Forum).</p>	<p>Monitoring has continued based on the more limited data that is now available and any necessary actions have been embedded as part of ongoing working with the NHS and other partners.</p>
<p><b>Cyber Risk</b> – loss or compromise of IT systems and/or associated data through a cyber security attack. This is a national issue with an increasing prevalence and sophistication in terms of malware attacks used by cyber attackers to circumvent ICT defences and attack core systems.</p>	<p>A contract is now in place with an external security operations centre which provides 24/7 monitoring and identification of potential cyber risks and threats. Significant investment has been made in cyber-security technologies including the latest next generation firewalls. There has been ongoing monitoring of guidance from various security bodies including the National Cyber Security Centre and the LGA Cyber Security Advisories. The recommendations arising from these bodies have been acted upon. Work is ongoing through business continuity planning and testing across the organisation to develop resilience to respond to the impacts of a potential cyber attack.</p>
<p><b>Safeguarding processes</b> - weak management oversight of safe-guarding processes in place led to the Council inadequately safeguarding vulnerable groups.</p>	<p>The Safeguarding Adults Board and the Safeguarding Children Partnership have continued to operate, working closely with peers across Leicester, Leicestershire and Rutland. There has been a particular focus on ensuring that training is of high quality, is available to all staff who need it, and the impact is measured.</p> <p>A new independent chair for the Adults Board has been appointed. She is a former DASS and a national lead on safeguarding for ADASS. Work is in hand to recruit a new independent chair for the Children's Partnership.</p>

## Leicester City Council Annual Governance Statement 2022-23 (continued)

### Issues Identified in 2021/22 Continued

Issue Identified	Action taken to Date
<p><b>Care Skills Shortages</b> – services were unable to meet demand due to a shortage of health visitors, occupational therapists, social workers, and other care professionals. This is a national issue, with an increase noted of staff leaving the workforce, both through early retirement and moving to other sectors. In addition, staff shortages are encouraging some staff to leave permanent employment in order to work on an agency basis, reducing service stability and increasing costs.</p>	<p>Work has been done to review the roles of social workers across both adult and children's social care, together with occupational therapists in adult care. This has allowed expansion of the roles of care management officers and assistant OTs, and the introduction of alternatively qualified practitioners in Children's Services. This work has been closely connected to work being undertaken by councils across the region, to ensure consistency and shared learning.</p>
<p><b>Safeguarding Skill Shortage</b> – a national shortage of public health nurses (both health visitors and school nurses) meant vacant posts were impossible to recruit to.</p>	<p>Work is ongoing with the provider to develop a mixed skilled approach.</p>

## Leicester City Council Annual Governance Statement 2022-23 (continued)

### Issues Identified in 2022/23

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Planned Action:
<p><b>Medium Term Financial Strategy</b> – We have set a balanced budget for 2023/24 with the use of managed reserves. However, we estimate our reserves will run out part way through 2024/25 and therefore significant savings are essential.</p> <p>We are facing restricted government funding at a time of increasing costs. We continue to face significant cost pressures in adult social care and the additional money made available in the Autumn Statement in November 2022 is insufficient to meet our forecast cost growth.</p>	<p>The Council will continue to monitor its finances and focus on reviewing budgets and services to achieve the significant level of savings required.</p> <p>The Council will also continue to be a prominent voice in the sector and provide feedback as appropriate to government on the challenges faced.</p>
<p><b>Uncertain political and policy environment</b> - There are continued uncertainties in relation to strategic direction and priorities at national level. Uncertainty has also been caused by wide ranging industrial action across sectors including health and education.</p>	<p>Work will now take place following the May 2023 local elections to review and articulate priorities for the forthcoming term. There will be continued emphasis on robust business continuity planning, testing and training.</p> <p>Strategic directors will continue to meet regularly to review strategic risks and actions needed to mitigate/address them.</p>
<p><b>Economic instability and rising inflation</b> – A weak national economy and high inflation pushes up costs, and limits the supply of goods, supplies and services.</p> <p>Significantly increased costs for services and for capital schemes can result in overspends, budget pressures and inability to meet demand.</p> <p>Lack of availability of key supplies, goods and services and relevant skills and expertise can cause delays and risk ability to deliver services and capital schemes.</p>	<p>The Council has continued to monitor capital budgets, and ensure during inception of projects that an allowance for inflation is built into projects. Allowance is made for existing projects which are already in delivery.</p> <p>In terms of supplies, we have continued to monitor the market on a three monthly basis, and where appropriate have changed the make-up of core components of projects or supplies needed to deliver projects.</p> <p>On skills, a successful recruitment campaign has continued and our salary structures have changed in some core job roles to ensure delivery of key services is maintained.</p> <p>External partners have been engaged to bring in skills so core delivery can be maintained on certain key projects and services.</p>

## Leicester City Council Annual Governance Statement 2022-23 (continued)

### Issues Identified in 2022/23 Continued

Issue Identified	Planned Action:
<p><b>Lack of critical skills, resources and capabilities across the workforce</b> - Insufficient skills and resources due to a competitive employment market, local authority pay constraints and an ageing workforce.</p> <p>Inability to recruit and retain staff, including at the most experienced and senior levels, may result in risks to the day-to-day delivery and transformation of services, and delivery of priority projects including capital schemes.</p>	<p>Workforce planning has been identified as a high priority for organisational development (OD). The OD Team is developing a framework and approach to roll out across the organisation. Targeted work will continue with specific services to identify innovative strategies where there are recruitment challenges. In addition, work continues on entry to employment and on “grow our own approaches” where appropriate.</p>
<p><b>Impacts arising from numbers and complexity of needs of asylum seekers and refugees</b> – Needs arising from increasing numbers of asylum seekers and refugees being placed in the city and the complexity arising from the range of national schemes and support arrangements for different groups including unaccompanied children, Ukrainian, Syrian and Afghan refugees</p>	<p>A governance board is in place corporately, with oversight of the component parts of asylum and refugees, which covers all aspects from housing through to social care.</p> <p>We have continued to make representation to the Home Office, and ensure our safeguarding teams are pro-active in identifying issues early. Whilst continuing to work with key partners in the city such as Fire and Police.</p> <p>However, this continues to be a risk for the Council as numbers continue to rise and staff capacity/recruitment in key roles such as social workers is a significant issue and growing risk.</p>
<p><b>Cyber Risk</b> – loss or compromise of IT systems and/or associated data through a cyber security attack. As in 2021/22, this is a national issue with an increasing prevalence and sophistication of malware attacks used by cyber attackers to circumvent ICT defences and attack core systems.</p>	<p>Mandatory training on ICT Security will be introduced as part of the HR “on-boarding” process for new starters, with a continued focus on raising awareness with existing staff. We will use findings from our Cyber Security Operations Centre to identify areas for further improvements, and will implement formal quarterly reporting on cyber security threats and responses. As part of the Council’s involvement in the DLUHC Future Councils’ Programme, we will baseline our cyber maturity, benchmark against others and identify further opportunities for improvement. This will build on the work have already done using the Cybersecurity Capability Maturity Model (C2M2).</p>

## Leicester City Council Annual Governance Statement 2022-23 (continued)

### Issues Identified in 2022/23 Continued

Issue Identified	Planned Action:
<p><b>Reputational impact of an unsatisfactory assurance rating of ASC from the Care Quality Commission</b> – this could lead to loss of public confidence in adult care services, a fall in morale of staff, high staff turnover and a need to strengthen governance and practice controls. This is a national issue, with uncertainties over the calibration of CQC assessments, given that the process is entirely new and all councils are experiencing pressures in meeting their Care Act duties.</p>	<p>A robust self-assessment process will be undertaken, drawing in staff at all levels, partners and people with lived experience, to develop a sound view of current performance. This will be used to address areas where performance does not meet the required standard.</p> <p>The Council will engage with regional work to develop the model for self-assessment and draw on work to develop tools and techniques to improve practice and performance.</p> <p>Existing work of co-production with people who have lived experience will continue, to review measures and practice processes to ensure these meet need.</p>



## Leicester City Council Annual Governance Statement 2022-23 (continued)

### 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.

**Signed:**

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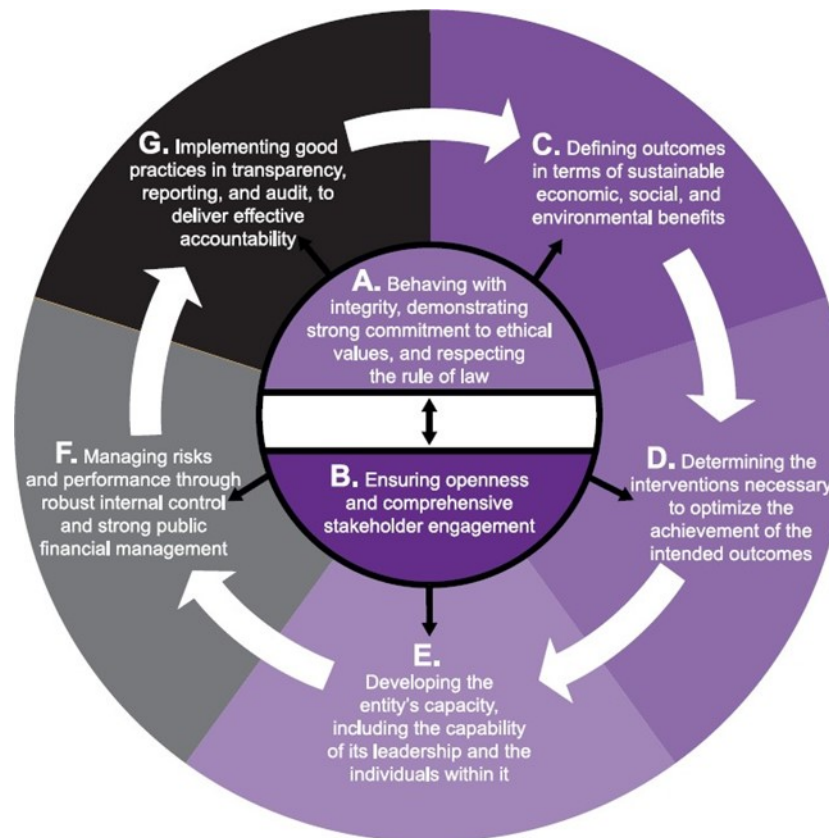
**City Mayor**

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**Chief Operating Officer**

The Council's Code of Corporate Governance is based on the seven core principles. The illustration below shows the principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times



The Council had the following governance arrangements in place during 2022/23.

## SUMMARY OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

### Mayor, Executive and Council

- Provide leadership, develop and set policy
- Key risks are considered by the Executive three times per year.

### 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 three times per year

### 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

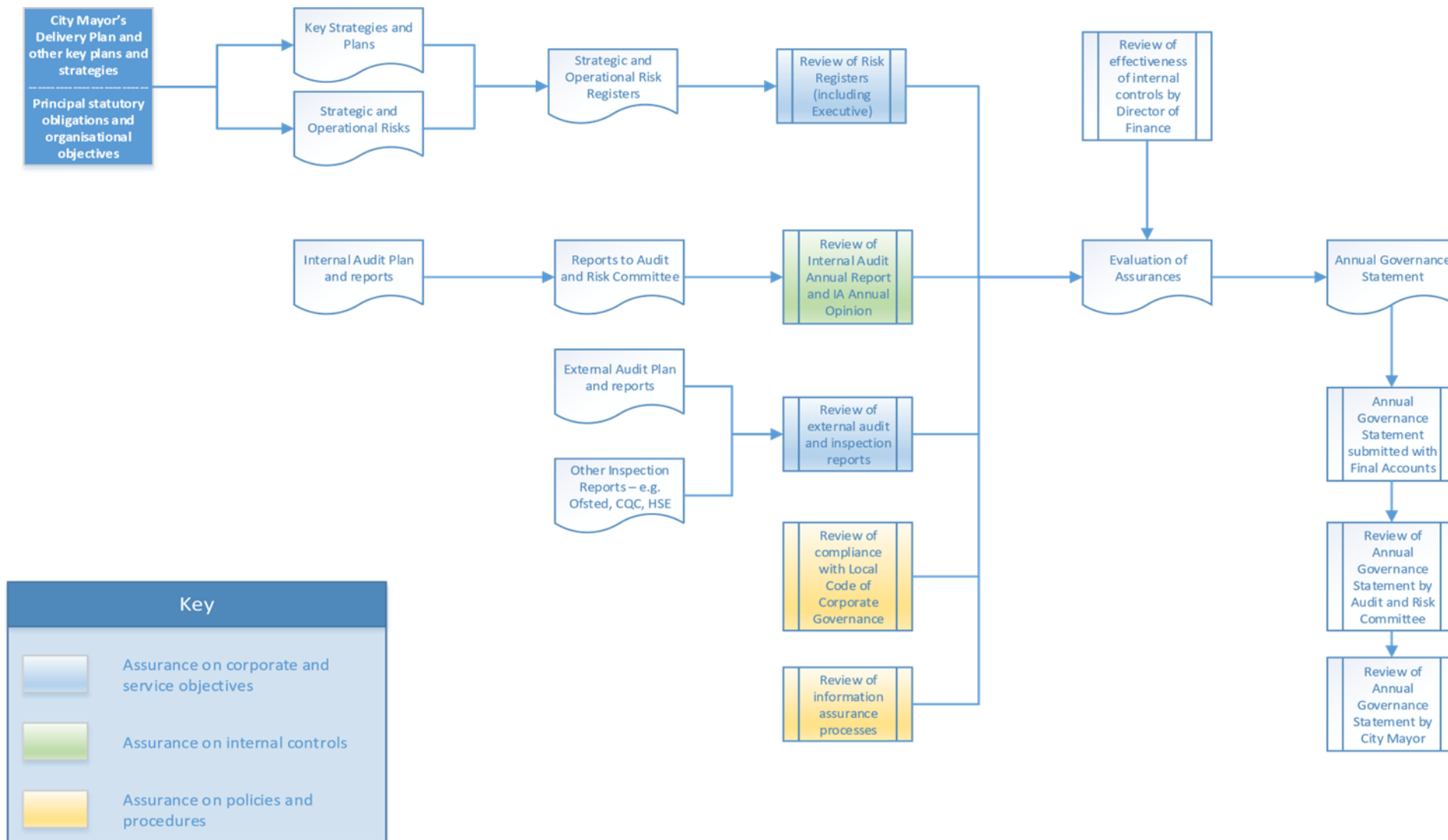
### Corporate Management Team (CMT)

- 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
- The 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 2022-23 (continued)

## Appendix 3

The following diagram, shows how the Council has assessed its governance arrangements to inform the Annual Governance Statement



The following table is a summary of the CIPFA financial management code standards with a brief explanation of how the Council complies with each standard.

CIPFA financial management standard	How the Council demonstrates it complies
The leadership team is able to demonstrate that the services provided by the authority provide value for money.	<p>Annually this is supported by the external audit value for money opinion.</p> <p>Ensuring value for money is also the role of the section 151 officer and this is evidenced in the Annual Governance Statement, under the summary of the Council's governance arrangements.</p>
The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	<p>The Director of Finance (section 151 officer) is professionally qualified and has suitable experience. The Director of Finance is a key member of the leadership team and is actively involved in all material business decisions, ensuring they are in line with the Council's financial strategy.</p> <p>She safeguards public money through good financial management and leads a finance team that is resourced and fit for purpose. Annually this is supported by the value for money opinion and the audited statement of accounts.</p>
The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	<p>The Annual Governance Statement supports the leadership team meeting these requirements. The Statement includes:</p> <ul style="list-style-type: none"> <li>• How governance and internal control are supported by scrutiny and review, in particular through the Audit and Risk Committee.</li> <li>• A statement from the Council that it complies with the CIPFA/SOLACE Delivering Good Governance Framework (2016).</li> </ul>
The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	

CIPFA financial management standard	How the Council demonstrates it complies
The financial management style of the authority supports financial sustainability.	<p>Annually the Council approves the budget strategy which includes the revenue and capital budgets, alongside the Treasury Management Strategy and Investment Strategy. As part of the budget strategy, the medium term financial outlook is considered and it is acknowledged the Council is using managed reserves to balance the budget. This evidences the Council understands its prospects for financial sustainability in the longer term and this is reported clearly to members.</p> <p>The budget report includes a statement from the Chief Finance Officer on the robustness of estimates and the adequacy of financial reserves.</p> <p>Throughout the year monitoring is then conducted to identify any variations from what was budgeted and allows for timely corrective action to be taken. Monitoring reports are subject to scrutiny and go to the Overview Select Committee on a periodic basis. This includes the capital and revenue budget monitoring, income collection and treasury management reports.</p>
The authority has carried out a credible and transparent financial resilience assessment.	
The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	
The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	
The authority complies with its statutory obligations in respect of the budget setting process.	
The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	<p>Annually the Council approves the budget strategy which includes the Treasury Management Strategy and the Investment strategy. These strategies comply with the prudential code. The Council will also report its compliance with these strategies twice a year.</p> <p>Annually as part of the draft budgeting setting process, the draft budgets are issued for consultation with partners before they are submitted for formal approval.</p>
The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	
The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	

CIPFA financial management standard	How the Council demonstrates it complies
The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	As part of the executive approval process, decision reports are submitted to the Executive which where appropriate contain option appraisals and a recommended course of action. Decisions are published on the Council's website.
The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Throughout the year monitoring is conducted to identify any variations from what was budgeted and allows for timely corrective action to be taken. Monitoring reports are subject to scrutiny and go to the Overview Select Committee on a periodic basis. This includes the capital and revenue budget monitoring, income collection and treasury management reports.
The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	
The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	
The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	Annually the statement of accounts is published and a statement regarding the accounts complying with the CIPFA Code of Practice is included within the statement of responsibilities signed by the section 151 officer. The statement of accounts is audited annually and we regularly receive an unqualified audit opinion.

# 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.

## Agent

Is where the authority is acting as an intermediary.

## 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.

## 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.

### External audit

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.

### 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.

### Principal

Is where the authority is acting on its own behalf.

### 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.

# Note References

Note 1	Accounting Policies	Note 24	Provisions
Note 2	Expenditure and Funding Analysis	Note 25	Usable Reserves
Note 3	Accounting standards issued but not yet adopted	Note 26	Unusable Reserves
Note 4	Critical judgments in applying accounting policies	Note 27	Cash Flow Statement - Operating Activities
Note 5	Assumptions Made about the Future and other Major Sources of Estimation Uncertainty	Note 28	Cash Flow Statement - Investing Activities
Note 6	Material Items of Income and Expense	Note 29	Cash Flow Statement - Financing Activities
Note 7	Events After the Balance Sheet Date	Note 30	Pooled Budgets
Note 8	Note to the Expenditure and Funding Analysis	Note 31	Member's Allowances
Note 9	Adjustments between Accounting Funding Basis under Regulations	Note 32	Officers' Remuneration
Note 10	Movements in Earmarked Reserves	Note 33	External Audit Costs
Note 11	Other Operating Expenditure	Note 34	Dedicated Schools Grant
Note 12	Financing and Investment Income and Expenditure	Note 35	Grant Income
Note 13	Taxation and Non-Specific Grant Income and Expenditure	Note 36	Related Parties
Note 14	Expenditure and Income Analysed by Nature	Note 37	Capital Expenditure and Capital Financing
Note 15	Property, Plant and Equipment	Note 38	Leases
Note 16	Heritage Assets	Note 39	Private Finance Initiatives and Service Concession Arrangements
Note 17	Intangible Assets	Note 40	Termination Benefits
Note 18	Financial Instruments	Note 41	Pension Schemes Accounted for as Defined Contribution Schemes
Note 19	Inventories	Note 42	Defined Benefit Pension Schemes
Note 20	Debtors	Note 43	Contingent Liabilities
Note 21	Cash and Cash Equivalents	Note 44	Contingent Assets
Note 22	Assets Held for Sale	Note 45	Nature and Extent of Risks Arising from Financial Instruments
Note 23	Creditors		

## Appendix B – Estimates Key Assumptions

Estimate	Key Assumptions Involved
Property Plant & Equipment (PPE)	<p>This is completed by a RICS qualified valuer.</p> <ul style="list-style-type: none"> <li>• Useful lives i.e. how long asset likely to remain in service</li> <li>• Levels of repairs and maintenance</li> <li>• Market prices i.e. based on comparable prices or expected returns</li> <li>• Appropriate buildings cost indices (BCIS)</li> </ul>
Fair Value of Loans	<ul style="list-style-type: none"> <li>• Quoted prices in active markets for identical liabilities</li> <li>• Interest rates or yields for similar instruments e.g. AA corporate bond yields</li> <li>• Estimated creditworthiness</li> </ul>
Pension Liability/Asset	<p>This is completed by an actuary.</p> <p>Financial Assumptions</p> <ul style="list-style-type: none"> <li>• Using appropriate discount rates to account for the time value of money</li> <li>• Inflation forecasts</li> <li>• Salary increases</li> </ul> <p>Demographic Assumptions</p> <ul style="list-style-type: none"> <li>• Mortality assumptions i.e. life expectancies</li> <li>• Ill health retirements</li> <li>• Withdrawals e.g. how many people take lump sum</li> </ul>





# Informing the audit risk assessment for Leicester City Council 2022/23

207

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. 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.

# Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	5
Fraud	8
Fraud Risk Assessment	9
Laws and Regulations	14
Impact of Laws and Regulations	15
Related Parties	17
Going Concern	19
Accounting Estimates	21
Accounting Estimates - General Enquiries of Management	22
Appendix A – Accounting Estimates	25

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Leicester City Council's external auditors and Leicester City Council's Governance and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance and Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Governance and Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Governance and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance and Audit Committee and supports the Governance and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## 2.10 Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Leicester City Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Leicester City Council's management.

**The Governance and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.**

# General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	There are no key events or issues that will have a significant impact on the 2022/23 financial statements.
2. Have you considered the appropriateness of the accounting policies adopted by Leicester City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The Council has completed the annual review of their accounting policies to ensure appropriateness. There have been no events or transactions which have caused us to change or adopt new accounting policies.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Council has similar types of financial instruments to those in the 2021/22 accounts.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	There were no significant transactions outside our normal course of business.

# General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	There are currently no circumstances that would lead to impairment of non-current assets. However, the valuer when valuing our assets consider any circumstances where this could arise.
6. Are you aware of any guarantee contracts? If so, please provide further details	None currently identified.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None currently identified.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Leicester City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The Council uses various solicitors throughout the year and will provide the detail to the auditors during the audit.</p> <p>Furthermore, as noted in the 2021/22 statement of accounts a claim has been lodged with HM Courts and Tribunal Service by BIFFA Group Holdings (UK) Limited and group companies, regards disputed matters in relation to payments under the PFI contract for waste management. The Council will provide further updates on this matter to Grant Thornton when they become available.</p>

# General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	This information will be provided as part of the audit working papers.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, information will be provided as part of the audit working papers.

213

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance and Audit Committee and management. Management, with the oversight of the Governance and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Leicester City Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Governance and Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Governance and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Leicester City Council's management.



# Fraud risk assessment

215

Question	Management response
<p>1. Has Leicester City Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>The Council has assessed the risk of material misstatement in the financial statements due to fraud to be limited.</p> <p>The Council will challenge the figures within the accounts and will gain assurance over controls from internal audit.</p> <p>If the Council identifies any concerns over internal controls then processes are reviewed and new controls are implemented. The Council has not identified any concerns over financial controls over the current year. We try to learn lessons from others experiences and are active members of the National Anti Fraud Network and the East Midlands Fraud Group which share best practice and potential risks.</p> <p>When the Council identifies risks a review will be undertaken to identify any potential financial impact.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Procurement exercises/contracts, Right to Buy of council properties, small business rate relief, business grants and subletting council properties.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Leicester City Council as a whole, or within specific departments since 1 April 2022? If so, please provide details.</p>	<p>The Council has a counter fraud team who are responsible for investigating instances of fraud.</p> <p>The team report to Governance &amp; Audit Committee periodically, to provide an update on any instances of fraud and actions taken.</p>

# Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The team report to Governance & Audit Committee periodically, to provide an update on any instances of fraud and actions taken
5. Have you identified any specific fraud risks? If so, please provide details  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within Leicester City Council where fraud is more likely to occur?	<p>The Council is at particular risk of fraud in the usual higher risk areas e.g repairs and maintenance, procurement and contract management.</p> <p>The Council has the relevant controls in place to try and prevent fraud.</p> <p>This is further supported by the reports of internal audit.</p>
216 6. What processes do Leicester City Council have in place to identify and respond to risks of fraud?	<p>The Council has a clear governance framework summarised below:</p> <ul style="list-style-type: none"> <li>• Mayor, Executive &amp; Council</li> <li>• Decision Making</li> <li>• Risk Management</li> <li>• Scrutiny &amp; Review</li> <li>• Corporate Management Team</li> </ul> <p>Further to the Council has various codes and rules, including Financial Procedure Rules, Codes of Conducts, Anti-Fraud, Bribery &amp; Corruption Policy and Anti Money Laundering Policy.</p> <p>Further to this the Council participates in the National Fraud Initiative.</p> <p>There has been an agreement made with colleagues at Leicestershire County Council to undertake an assessment each other's organisation using the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption during 2023/2024.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Leicester City Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details.</p>	<p>The Council outsources its internal audit function to Leicestershire County Council to ensure regular review of its control environment.</p> <p>The outcomes of audit reports are regularly reported to management and the Governance &amp; Audit Committee.</p> <p>There are no areas identified for potential override of controls or inappropriate influence over the financial reporting process.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details.</p>	<p>None that the Council are aware of.</p>
<p>9. How does Leicester City Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council uses various options to communicate with employees including;</p> <ul style="list-style-type: none"> <li>Staff intranet, established internal communication channels</li> <li>Organisational development team, delivering staff training</li> <li>Information assurance team to support data policies</li> </ul> <p>The Council encourages staff to report their concerns regarding fraud through the following policies;</p> <ul style="list-style-type: none"> <li>Anti-fraud, Bribery &amp; Corruption Policy</li> <li>Whistleblowing Policy</li> </ul>

## Fraud risk assessment

218

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Director of Finance</p> <p>Treasury &amp; Investments Manager</p> <p>Risks associated by the above posts are managed through having appropriate controls in place, to reduce the potential for fraud or corruption. LCC undertake ID checks on applicants and also fully participate in the NFI project. This provides further assurance as this allows the payroll file to be cross matched against the directorships of companies with whom the council do business. There is a centralised conflict of interest file and this is checked for potential conflict of interests as part of the NFI project. A reminder is due during 2023/24 to ensure this is fully utilised by staff and declarations are made.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The Council is unaware of any related party relationships that could give rise to instances of fraud.</p> <p>The Council maintains information on any related parties to ensure any risks can be mitigated and appropriate controls are in place.</p>

# Fraud risk assessment

219

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee?</p> <p>How does the Governance and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Two reports are submitted to the Governance &amp; Audit Committee annually to report on fraud issues with an additional report on the National Fraud Initiative each year. Along with this internal audit also report to committee on outcomes from internal audits.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance and Audit Committee, is responsible for ensuring that Leicester City Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Governance and Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Leicester City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Council employs legal professionals to ensure it remains compliant with all relevant laws and regulations.</p> <p>Legal implications are included on all relevant decision-making reports, scrutiny reports and a number of internal briefing reports. On a case-by-case basis lawyers are embedded into the operational decision-making structures within client areas (child protection, adults safeguarding, HR etc).</p> <p>A Quarterly Governance Panel comprising the Chief Operating Officer and the two Statutory Officers has been set up to provide an additional layer of scrutiny to what are regarded as the Council's high-risk activities/schemes.</p>
<p>2. How is the Governance and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Legal implications are included on all reports taken to Committee, including to the Governance and Audit Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>There have been no known instances of significant non-compliance with law and regulation.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>As per the 2021/22 statement of accounts, a claim has been lodged with HM Courts and Tribunal Service by Biffa Group Holdings (UK) Limited and group companies, regards disputed matters in relation to payments due under the PFI contract for waste management. There is potential for this to progress through the high court process, with a full court hearing unlikely to be until 2025. It is not practicable at this time to estimate the financial effect. It is however unlikely that the council would receive any reimbursement.</p>

# Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Leicester City Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>All legal work is undertaken on a single specialist case management software system. In individual client areas (e.g. debt recovery, care proceedings, employment law etc) regular client liaison meetings occur or data is shared. Elevation mechanisms within Legal Services ensure that high profile cases are referenced with senior management. Our insurance arrangements are closely managed to ensure that insurable claims are efficiently handled. All Judicial Review claims are brought to the attention of the City Barrister.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No</p>



# Related Parties

## Matters in relation to Related Parties

Leicester City Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Leicester City Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

223

## Related Parties

224

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Leicester City Council's 2022/23 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Leicester City Council</li> <li>whether Leicester City Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>This work to identify related party transactions will be shared in the audit working papers as part of the audit.</p>
<p>2. What controls does Leicester City Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members &amp; Directors are asked to complete an annual declaration.</p> <p>The Council also takes part in the National Fraud Initiative.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All transactions are approved in line with the Financial Procedure Rules.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All transactions are approved in line with the Financial Procedure Rules.</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

225 For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

226

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Leicester City Council will no longer continue?	The Council completes an Annual Budget report each year that goes to the Overview Select Committee (and other scrutiny committees) for scrutiny and then to Full Council for approval. This includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.
2. Are management aware of any factors which may mean for Leicester City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None currently identified.
3. With regard to the statutory services currently provided by Leicester City Council, does Leicester City Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Leicester City Council to cease to exist?	Leicester City Council expects to continue to deliver statutory services.
4. Are management satisfied that the financial reporting framework permits Leicester City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, as per above the Council completes an Annual Budget report each year which includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

227

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	None at this time.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	The risk management process is identifying the professionals that are used to provide the accounting estimates e.g. valuers and actuaries. In addition, we have professional integrity.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The professionals will use updated information to base their estimates. For examples the valuer will look at the markets and review the Royal Institute of Chartered Surveyors (RICS) guidance for the year.
4. How do management review the outcomes of previous accounting estimates?	Management will have an oversight of the assumptions used for the estimates and ensure they are reviewed annually. In addition, where there are significant changes explanations from the professional will be requested.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	None at this time.

228

# Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management will use professionals with the specialised skills or knowledge for calculating accounting estimates this will be Accountants, Valuers and Actuaries.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	All accounting estimates are reviewed annually and throughout the closedown process.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As previously detailed management will review assumptions used for calculating accounting estimates and ensure any changes have an explanation.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	The estimates are reviewed by the management in the relevant specialisms and by the management reviewing the Statement of Accounts.

229

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Governance and Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>The material estimates are reported in the Statement of Accounts.</p> <p>Further to this briefing &amp; training sessions are completed with the Governance and Audit Committee to ensure they understand the arrangements used for completion including estimates. The Committee is encouraged to ask questions to gain assurance that officers are able to provide robust answers.</p>

230



## Appendix A Accounting Estimates

231

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	<p>Non-dwelling property valuations are planned at the beginning of each financial year by Estates &amp; Building Services. The Valuer is asked to provide estimated property values as at the end of the financial year.</p> <p>Programme of planned valuations maintained by Estates &amp; Building Services to ensure that all land and buildings are regularly revalued.</p> <p>Indices published by the Building Cost Information Service are used to populate property values at the Balance Sheet date.</p>	The Valuer reviews valuations at the Balance Sheet date to Ascertain appropriateness of estimated valuations and therefore any material under- or overstatement.	RICS valuers are appointed to undertake the annual valuations	Actual indices used which reduces uncertainties.	<p>Yes – all Land &amp; Buildings over £100k have been valued in 2022/23, whereas in previous years all Land &amp; Buildings were valued.</p> <p>The valuers have assessed that by not valuing the assets under £100k, that it does not result in the accounts being materially misstated.</p>

## Appendix A Accounting Estimates

232

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	An annual valuation of Council dwellings is conducted by external consultants Wilks Head and Eve LLP.	Verification checks will be conducted on the valuations provided.	Yes – Wilks Head and Eve LLP.	The valuations will be conducted in line with relevant guidance.	No
Depreciation	Useful lives received from RICS valuers appointed to undertake valuations.	Checks to ensure reasonableness.	Yes – RICS valuers	At the end of 2022-23 financial year it was estimated that the estimated annual depreciation charge for buildings would increase by approximately £3m for every year that useful lives had to be reduced.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
233 Valuation of defined benefit net pension fund liabilities	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.	Checks to the reasonableness of assumptions in the actuaries report are made	Yes (actuary for LGPS administered by Leicestershire County Council)	The effects of the net pension liability of changes in individual assumptions can change the liability significantly. For example, an 0.1% decrease in the Real Discount rate would mean a 2% increase to the employers liability. Which in 2022/23 would have amounted to approximately £30m.	No.
Level 2 investments	Where there are material balances, models are provided from the council's treasury advisors, to calculate the estimated fair values.	Corporate accountant reviews appropriateness of estimated valuations.	Treasury advisors (Arlingclose)	Sensitivity analysis in Nature and Extent of Risks arising from Financial Instruments note to the accounts.	No

## Appendix A Accounting Estimates

234

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments	Where there are material balances, models are provided from the council's treasury advisors, to calculate the estimated fair values.	Corporate accountant reviews appropriateness of estimated valuations.	Treasury advisors (Arlingclose)	Sensitivity analysis in Nature and Extent of Risks arising from Financial Instruments note to the accounts.	No
Fair value estimates	Fair value estimates are covered above i.e. in financial instruments and in PPE valuations for PPE related.				

## Appendix A Accounting Estimates

235

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – Bad Debt	<p>A bad debt provision is calculated based on the age &amp; total of outstanding debt at the balance sheet date.</p> <p>Standard percentages and knowledge of individual circumstances are used.</p>	Reviewed to ensure significant movements are understood and are prudent.	No	No policy or legal change affects the collection of this debt.	No
Provisions – Insurance Claims	This is estimated based on the claims received and which are expected to be Settled.	<p>The Insurance claims database is used, providing the estimate.</p> <p>Claims provisions are normally reviewed by an actuary every 2 years.</p>	Insurance companies & Actuaries	Insurance Companies & Actuaries.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – Business Rates	Business Rates appeals - Judgement is applied based on data from the Valuation Office Agency regarding outstanding appeals and 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 are calculated for the different types of appeals and property Types.	Revenues Manager	The calculation is based on a range of sources including professional advice. If the volume and outcome of appeals differs significantly from the assumptions then this will impact on the level of provision.	No

236

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Various methods used, depending on each set of circumstances.	Management checks on journals.	No	Supporting information provided for accruals to evidence the underlying assumptions behind the accrual.	No
237 Credit loss and impairment allowances	Various methods used, depending on each set of circumstances.	Check with management i.e. treasury manger, head of finance etc. to ensure estimates are reasonable.	No	Sensitivity analysis included in working paper.	No
Finance lease liabilities	Follow the CIPFA code of practice in determining finance lease liabilities.	Mostly property leases and they are valued by a RICS valuer.	For property leases RICS valuers are appointed to undertake the annual valuations.	Lease liability determined by following CIPFA code of practice.	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	<p>Total payments due under existing PFI schemes are split between payments for services, reimbursement of capital expenditure, interest and lifecycle costs. The split being derived from detailed cash flow models provided at the commencement of each scheme.</p> <p>PFI liabilities are reduced by payments made during the year.</p> <p>The financial model details the cash flows of the schemes.</p>	Changes to outstanding liabilities are measured against the financial model and split between current and noncurrent accordingly.	No	<p>It is assumed that the PFI schemes will progress as planned with specifications remaining unchanged.</p> <p>PFI unitary payments are being made as per the financial model.</p>	No

238







# Leicester City Council Indicative Audit Risks 2022/23

**Year ending 31 March 2023**

19 July 2023

241



# Contents

Section	Page
Introduction	3
Financial Statements Audit 2022/23	4
Value for Money 2022/23	8
Audit logistics and team	9
Audit fees	10

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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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# Key matters



## National and local context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost-of-living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Locally, the final out-turn for 2022/23 shows an overall overspend of £4.4m in 2022/23, albeit lower than the £10.3m forecast at period 9. The Council has reported that the overspend in 2022/23 has been caused by high inflation (including significantly increased energy costs and higher than budgeted pay awards), together with continuing – but reducing – pandemic related income shortfalls.

Our recent national value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

# Key matters



## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- This will include the follow up of the previously agreed recommendations from our 2021/22 Annual Auditor's Report which are being taken to this meeting of the Governance and Audit Committee.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations and to discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. As such we have elevated our assessed risk for completeness of expenditure and payables. Consistent with this, and in line with the presumed risk in all financial statements, we have also planned to address a significant risk with regard to management override of control – refer to page 6

# Introduction

## Purpose

This document provides an overview of the indicative planned scope and timing of the statutory audit of Leicester City Council ('the Council') for those charged with governance. It sets out the risks that we anticipate will drive the focus of our audit based on our knowledge of the Council from the prior year and discussions with management. It is important to note that our risk assessment is an iterative process and we will revisit our assessment on an ongoing basis bringing any new risks to your attention if and when they arise. We will provide our formal Audit Plan for consideration subsequent to the completion of our planning and risk assessment work.

## Respective responsibilities

245 The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Leicester City Council]. We draw your attention to this document.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.





# Financial Statements Audit 2022/23

## Materiality

### The concept of materiality

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

We have not yet formally determined the materiality for the year ended 31 March 2023, but anticipate it being based on the Council's published draft gross expenditure for the year.

We estimate this to currently be £16.4m. The materiality set for our 2021/22 financial statements was £15.0m. We will confirm this when we issue a full Audit Plan.

## Significant risks

Although we have started our planning work we are not at a stage where we can formally confirm the significant risks that we will be auditing. However, the sections below indicate likely areas on which we expect to focus our work.

### Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Council to determine whether there is a risk of fraud from revenue recognition.
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.

**Valuation of land and buildings** - The Council is required to revalue its land and buildings on a sufficiently frequent basis to ensure that the carrying value in the financial statements it not materially difference from the current value at the financial statements date. To achieve this, the Council requests valuations from its valuation experts. This valuation represents a significant estimate by management in the financial statements due to the value involved and the sensitivity of this estimates to changes in key assumptions. It is expected that the valuation of land and buildings will continue to be identified as a significant risk in 2022/23. We are aware that the Council has changed its approach to the valuation of its asset base this year and has valued fewer assets than it has in previous years. We are content with the approach being applied provided that management can evidence, for those assets not valued, there is appropriate consideration and evidence to support that their carrying value is not materially misstated.

**Valuation of the local government pension fund net liability** - the Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The estimate is highly sensitive to changes in key underlying assumptions, such as discount and mortality rates, and these assumptions are subjective and require input from specialist actuaries on an annual basis. It is expected that the valuation of the net pension liability will continue to be identified as a significant risk in 2022/23. Furthermore, we note from receipt of the draft accounts, and from planning discussions with the finance team that due to a significant reduction in the present value of the scheme liabilities that no net pension liability is being recognised this year. We will need to undertake additional procedures to review the process applied in coming to this determination.

All of the above areas were also identified as significant risks for our 2021/22 financial statements audit.

### Informing the audit risk assessment

To inform our planning we have completed a paper setting out responses from management to a series of questions posed across the themes of fraud, laws and regulations, going concern, related parties and accounting estimates. This is considered in a separate agenda item.



# Financial Statements Audit 2022/23 (cont.)

## Other expected areas of focus

- **Expenditure recognition** - in line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.
- In 2021/22, having considered the nature of the expenditure streams of the Council, we determined that there was no significant risk of material misstatement arising from improper expenditure recognition. We will revisit this assessment for 2022/23 but anticipate a consistent outcome.
- **Completeness of non-pay expenditure** - non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. Management also undertake an assessment of the levels of grant income received in the financial year to be deferred to future years based on the specific terms and conditions of funding. We therefore anticipate completeness of non-pay expenses being identified as a risk requiring particular audit attention.
- **Council dwellings** - in 2021/22 we reported that the Council used the housing price index to uplift house prices using indices at February 2022 with an estimate for March 2022. We were satisfied from our analysis that using February indices instead of March did not materially impact the valuation and were satisfied that the estimate was reasonable. We were aware of the timings needed in order to produce valuations and the valuer at the time did use the most up to date information with an estimate of movement made for March 2022 which wasn't available at that time. We recommended that valuations determined using estimates are revisited when actuals are known, to provide additional assurance that there is no material misstatement. We will ensure that this has taken place, where applicable in respect of the year ended 31 March 2023.
- **Annual Governance Statement** - we reported that we considered the Council's Annual Governance Statement to be 'light' in comparison to other examples we see in the sector. While we concluded it meets requirements the Council should consider enhancing its narrative for future years to more fully explain its governance arrangements, especially in light of governance failures elsewhere in the public sector. We reviewed the draft Annual Governance Statement before it was published, and are satisfied that the content is enhanced in response to our recommendation, though it is still subject to full audit procedures as at the time of writing.
- **IT control deficiencies** - we continued to report during 2021/22 that there were 4 i-Trent users with a combination of administration and financial privileges, which creates a risk that system-enforced internal controls can be bypassed. This could lead to unauthorised changes being made to system parameters, creation of unauthorised accounts, or the deletion of audit logs or disabling logging mechanisms. We note that we also reported 2 Unit 4 users with similar privileges, but the Council responded that these users need the access given in order to facilitate the smooth running of systems and processes that the Council has in place. We will follow up on these matters during 2022/23 and design our audit procedures accordingly to take these findings into account. We will follow up on these matters during 2022/23 and design our audit procedures accordingly to take these findings into account.

# Value for Money 2022/23

As part of our planning work, we will consider whether there are any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on. We may need to make recommendations following the completion of our work and will follow up the recommendations made in our 2022/23 Auditor's Annual Report.

## Risks of significant weakness

We have not yet undertaken our planning assessment, and therefore cannot confirm the risks we will be considering.

However, we anticipate following up on any recommendations to be reported from our 2021/22 review relating to financial sustainability and improving economy, efficiency and effectiveness.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team



249



## Grant Patterson, Key Audit Partner

Grant will be the main point of contact for officers and committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice, ensuring that our audit is tailored specifically to the Council. Grant is responsible for the overall quality of our audit work, and will sign your audit opinion.



## Nic Coombe, Senior Manager

Nic will work with senior members of the finance team, ensuring that any issues that arise are addressed on a timely basis. She will attend Governance and Audit Committee and liaison meetings with Grant, undertake reviews of the team's work and ensure that our reports are clear, concise and understandable.



## Will Howard, Manager

Will will work directly with the finance team and manage the day-to-day work of the more junior members of our audit team. He will complete work on the more complex areas of the audit, and will provide support to Nic as necessary.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Leicester City Council to begin with effect from 2018/19. The fee agreed in the contract was £109,997. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf.

# Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee 2022/23
Leicester City Council Audit	£173,734	£173,447	£176,947
Total audit fees (excluding VAT)	£173,734	£173,447	£176,947

251

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA for 2022/23	128,947
(This includes ‘baked-in’ increases from previous years which continue to apply for future years in relation to:	
<ul style="list-style-type: none"> <li>£4,375 pension valuations</li> <li>£5,438 for PPE valuations</li> <li>£6,250 for additional FRC challenge</li> </ul>	
Continued impact in relation to decreased materiality	£3,750
Impact of ISA540	£6,000
Enhancements to journals testing	£3,000
Increased audit requirements for ongoing raising of quality standards - FRC	£1,500
Infrastructure	£2,500
Appointment of auditor’s expert in respect of PP&E valuations	£5,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund - reliefs testing	£750
Increased audit requirements of revised ISAs 315	£5,000
Additional work on Value for Money (VfM) under new NAO Code	£20,000
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>£176,947</b>

All variations to the scale fee will need to be approved by PSAA









**Leicester City Council Governance & Audit Committee**  
**19<sup>th</sup> July 2023**

**Report of Leicestershire County Council's**  
**Head of Internal Audit & Assurance Service**

**Progress against Internal Audit Plans 2022-23 and 2023-24 and the**  
**Internal Audit Annual Report 2022-23**

**Purpose of Report**

1. The purpose of this report is to provide:
  - a. **Part 1** - Summary of progress against the 2022-23 and prior year Internal Audit Plans including:
    - i. summary information on progress with implementing high importance recommendations.
    - ii. summary of progress against the Internal Audit Plans
    - iii. commentary on the progress and resources used
    - iv. progress with developing the Internal Audit Plan for 2023-24
  - b. **Part 2** - An annual report on internal audit work conducted during 2022-23 containing information on the internal audit function's conformance to professional standards, which provides an insight into its effectiveness

**Recommendation**

2. That the contents of the report be noted.

## **Background**

3. The Council's internal audit function was delegated to Leicestershire County Council in 2017.
4. Within its Terms of Reference the Governance & Audit Committee (the Committee) has a duty to receive regular reports on progress against the internal audit plan, containing activity undertaken, summaries of key findings, issues of concern and action in hand. It also has a duty to review and approve the Head of Internal Audit Service's annual report containing an opinion on the overall adequacy and effectiveness of the Council's control environment, and conformance to the Public Sector Internal Audit Standards (the PSIAS)
5. Most planned audits undertaken are 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. For these audits an assurance level is given as to whether material risks are being managed. There are four levels: full; substantial; partial; and little.
6. 'Partial' ratings are normally given when the auditor has reported to management at least one high importance (HI) recommendation. A HI recommendation denotes that there is either an absence of control or evidence that a designated control is not being operated and as such the system is open to material risk exposure. It is particularly important therefore that management quickly addresses those recommendations denoted as HI and implements an agreed action plan without delay. HI's are reported to this Committee and a follow up audit occurs to confirm action has been implemented. Occasionally, the auditor might report several recommendations that individually are not graded high importance but collectively would require a targeted follow up to ensure improvements have been made.
7. Other planned audits are 'consulting' type, which are primarily advisory and guidance to management. These add value, for example, by commenting on the effectiveness of controls designed before implementing a new system.
8. Grants and other returns are audited, but because these are specific or focused reviews of certain aspects of a process in these cases it is not appropriate to give an assurance level. When they are completed, 'certified' is recorded.

9. Follow up audits relating to testing whether recommendations have been implemented from previous years' audits are undertaken. With this type, assurance levels aren't given because not all of the system is being tested. However, the Head of Internal Audit Service (HoIAS) forms a view on whether the situation has improved since the original audit and that is listed.

### **Progress with implementing high importance recommendations**

10. The Committee is tasked with monitoring the implementation of high importance (HI) recommendations which primarily lead to low assurance levels. **Appendix 1** provides a short summary of the issues and the associated recommendations. The relevant manager's agreement (or otherwise) to implementing the recommendation(s) and the implementation timescale is also shown. Recommendations that have not been reported to the Committee before or where some update has occurred to a previously reported recommendation are shown in **bold font**. Entries remain on the list until the HoIAS has confirmed (by gaining sufficient evidence or even specific re-testing by an auditor) that action has been implemented.
11. At the end of the year, as part of the process of determining his annual opinion, the HoIAS takes account of how management has responded to implementing high importance recommendations. Responses are generally positive however there is recognition that some recommendations do require more time to fully implement.

To summarise movements within Appendix 1 as at 5<sup>th</sup> July 2023.

- a. New
  - i. CCTV
- b. Ongoing/extended (date initially reported & number of extensions granted)
  - i. GDPR #2 (June 2020 - 8)
  - ii. Key ICT Controls 2020-21 (September 2022 - 2)
  - iii. Direct Payments (November 2022 - 2)
  - iv. Bed & Breakfast Emergency Placement (March 2023- 1)
  - v. Construction Projects(CDM Compliance)(March 2023-1)
- c. Closed (date initially reported to Committee)
  - i. Emergency Repairs (March 2023)
  - ii. Inglehurst Infant School (March 2023)
  - iii. St John the Baptist Primary School (March 2023)

## Part 1

### Summary of progress at 30<sup>th</sup> June 2023

12. **Appendix 2** reports on the position at 30<sup>th</sup> June 2023. The most recent status is shown in **bold font**. The summary position (with comparison to the previous position at 31<sup>st</sup> January 2023) is:

	<b>2022/23 (&amp; prior year) @30/01/23</b>	<b>2022/23 (&amp; prior year) @30/06/23</b>
<b>Outcomes</b>		
High(er) Assurance levels	18	<b>41</b>
Low(er) Assurance levels	9	<b>10</b>
Advisory	2	<b>6</b>
Grants/other certifications	21	<b>24</b>
HI follow ups – completed	8	<b>11</b>
<b>Audits finalised</b>	<b>58</b>	<b>92</b>
Audits in progress	37	<b>6</b>
HI follow ups – in progress	8	<b>6</b>
Not yet started	3	<b>0</b>
Postponed/Replaced /Cancelled	17	<b>24</b>

### Summary of resources used in 2022-23 (as at 31<sup>st</sup> March 2023)

13. To close off prior year audits, progress 2022-23 audits (reported in Appendix 2), and provide additional work relating to requirements such as planning, reporting to Committees etc, at 31<sup>st</sup> March 2023; Leicester City Council had received 875 days of internal audit input, and has achieved the 800 target days agreed in the delegation agreement (see below table).

	<b>@31/03/2023</b>	<b>@ 31/03/2023</b>
<b>By type</b>	<b>Days</b>	<b>%</b>
Relating to prior years audits (*)	101	12%
Relating to audits started 2022-23	681	78%
<b>Sub-total audits</b>	<b>782</b>	<b>90%</b>
Client management	93	10%
<b>Total</b>	<b>875</b>	<b>100%</b>
<b>By position</b>		
HolIAS	34	4%
Audit Manager	138	16%
Audit Senior (incl. ICT)	340	39%
Auditor	363	41%
<b>Total</b>	<b>875</b>	<b>100%</b>

(\*) These days were utilised either concluding previous years audits or following up on the progress made with implementing audit recommendations where low assurance levels had been reported.

### **Commentary on progress and resources used**

14. Overall, there has been very good progress made in closing off 2022-23 and prior year audits, only 6 audits remain outstanding of these three are at draft report stage. There have been instances where there have been difficulties in obtaining information on a timely basis from clients; the Deputy Director of Finance has been kept informed of this and his assistance has been very helpful in progressing these audits. Three audits with high importance recommendations have been closed off since the last report; others continue to be followed up until Internal Audit are satisfied that the recommendation has been fully implemented. Having a much more stable team has ensured the delivery of the audit plan, including the target 800 days.

### **Progress with developing the Internal Audit Plan for 2023-24**

15. In early Spring, the HoIAS and Audit Manager met with all Directors and their management teams to discuss their services' current and emerging risks and where they might benefit from receiving independent and objective assurance that those risks are being adequately managed. There was good engagement and a wide scope of audits were identified. However, the draft plan has not yet been finalised and will be reported to September's Committee. Nevertheless some planned audits have been progressed and, in some cases, completed; one significant audit relating to BACS/Direct Debits, which management urgently requested, is currently underway. These are highlighted in Appendix 2.

## **Part 2**

### **Internal Audit Annual Report 2022-23**

16. The HoIAS' annual report must include:

- a) An annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment
- b) A summary of the audit work from which the opinion is derived
- c) A comparison of the work actually undertaken with the work that was planned to include a summary of the performance of the internal audit function
- d) A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)
- e) any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

17. The annual report for 2022-23 is provided at **Appendix 3**. The report includes the HoIAS' opinion.

A return to more stable working environments following covid-19, along with a fully staffed Internal Audit Service throughout the year, resulted in increases to both the number of audits undertaken and days provided. There was a noticeable shift back to assurance based audits.

There was a reduction in the proportion of audits returning partial assurance ratings and management accepted and has responded to internal audit recommendations. Nothing else of significance has been brought to his attention so the HoIAS considers that during 2022-23, reasonable assurance can be given that the Council's control environment remained overall adequate and effective.

The HoIAS' opinion is also contained in the Council's draft AGS.

18. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines the types of audits, the components of the control environment and what it is designed to achieve, and provides a caveat on any opinion reached.
19. **Annex 2** lists the audits undertaken during the year. For assurance audits the individual audit opinion is given. This annex also lists information that the HoIAS has shared with key officers at the City Council.
20. **Annex 3** is the position after the June 2023 light touch self-assessment conducted by the HoIAS of the Service's general conformance to the PSIAS. Supporting notes are reported.
21. **Annex 4** is the position after the HoIAS light touch review of the Quality Assurance and Improvement Programme (QAIP). Some action dates needed extending.
22. Headlines from the report are: -
- a. The HoIAS overall opinion on the adequacy and effectiveness of the control environment remained positive.
  - b. The vast majority of assurance audits conducted (almost 80%) returned substantial assurance ratings. Those where less assurance was given will continue to be subject to further internal audit scrutiny.
  - c. There was good progress in closing off legacy high importance recommendations.
  - d. Overall, more audits were undertaken and completed.
  - e. Audits of grants remains a drain on resource although less than in recent years.
  - f. There's a very small carry over of work.

- g. Year on year comparison shows that days provided considerably exceeded those from the previous year(s) and the increase was utilised on audits not client management.
- h. Customer satisfaction returns increased and remained wholly positive
- i. Development and training continued. The Service generally conforms to PSIAS. The QAIP has been updated with some action due dates moved forward.

### **Financial Implications:**

23. There are no direct financial implications arising from this report. However, as a result of the work carried out, assurance regarding the operation of key financial systems is gained and there would be an expectation that implementing internal audit recommendations could improve effectiveness, efficiency and economy.

### **Legal Implications:**

24. None.

### **Equal Opportunities Implications**

25. There are no discernible equal opportunities implications resulting from the audits listed.

### **Climate Emergency Implications:**

26. 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)?**

27. No.

### **Is this a “key decision”? If so, why?**

28. No.

### **Background Papers**

The Constitution of Leicester City Council  
 Accounts and Audit Regulations (Amendment) 2015  
 The Public Sector Internal Audit Standards (revised from April 2017)  
 The Internal Audit Plans 2021-22 and 2022-23  
 Report to Audit & Risk Committee 13 June 2018 - Internal Audit Service – Peer Review Outcome

**Officer to Contact**

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## **Appendices**

Appendix 1	High Importance Recommendations as at 5 <sup>th</sup> July .
Appendix 2	Summary of Internal Audit Service work undertaken between 1 <sup>st</sup> April 2022 – 30 <sup>th</sup> June 2023.
Appendix 3	The Head of Internal Audit Service Annual Report 2022-23
Annex 1	The Head of Internal Audit Service Annual Opinion on the overall adequacy and effectiveness of the control environment 2022-23
Annex 2	Work supporting the HoIAS Annual Opinion 2022-23
Annex 3	Summary self-assessment of conformance with PSIAS – June 2023
Annex 4	Self-assessment against the Quality Assurance and Improvement Programme – June 2023



**High Importance Recommendations – Position at 5<sup>th</sup> July 2023**

<b><u>Audit Title (Owner)</u></b>	<b><u>Summary of Finding(s) and Recommendation(s)</u></b>	<b><u>Management Response</u></b>	<b><u>Action Date (by end of)</u></b>	<b><u>Confirmed Implemented</u></b>
<b>Reported July 2023</b>				
<b>CCTV Head of Standards &amp; Development</b>	<p>Three High Importance recommendations were raised in this report:</p> <ol style="list-style-type: none"> <li>1. A decision needs to be made on how the standalone CCTV installations can be captured. and how these should be recorded and managed</li> <li>2. Compliance reviews should be undertaken on the standalone CCTV installations.</li> <li>3. Guidance should be developed for Business Risk Owners on the correct processes to follow when procuring a new CCTV system.</li> </ol>	<ol style="list-style-type: none"> <li>1. A corporate working group to be established for all Data owners across the council. This group will co-ordinate the audit actions and decide the best methods of centralising the data owner information</li> <li>2. to be decided as part of the CCTV working group</li> <li>3. to be developed as part of Corporate CCTV Working Group</li> </ol>	Dec 23	
<b>Reported March 2023</b>				
<b>Inglehurst Infant School (Headteacher)</b>	<p>One high importance recommendation was made in the report relating to the schools' budget deficit position.</p> <p>Finding: The 2022/23 budget forecast plan showed that the school was predicting an in-year deficit of £132,847 and an overall carry forward deficit of £49k; 2023/24- £137,635 (deficit) and followed by 2024/25 - £245,032 (deficit).</p> <p>Recommendation: The Governing Body should work closely with the school and the Local Authority to ensure that the deficit budget plan (when in place) is followed to ensure that the school's finances are strictly in line with agreed plan</p>	<b>The school will be transferring to the Attenborough Learning Trust on 1<sup>st</sup> July 2023. The deficit balance (£110,000) will not transfer with the school to the Trust.</b>	January 2023 Extend to April 2023	<b>Yes</b>

<p>Construction Projects (CDM Compliance)</p> <p>Corporate Health &amp; Safety Manager</p>	<p>Finding: Some arrangements exist for the review of project compliance with CDM requirements; however, there isn't a central team/resource in place to provide overall, independent oversight in accordance with a formal strategy and central listing of all capital projects.</p> <p>Recommendation: An appropriate and experienced officer should review the existing arrangements for CDM compliance and ensure that clear, aligned approach for the on-going assessment of CDM compliance across the Council is documented in a CDM compliance strategy. This strategy should be referenced to a suite of supporting procedures as well as a central database that identifies all capital projects, identifying compliance requirements and details of evidenced assessment. Once approved, it should be ensured that the CDM compliance strategy is appropriately communicated.</p>	<p><b>The Corporate Health &amp; Safety Manager has completed a review of governance arrangements for CDM compliance. Senior management oversight of the revised governance structure will be provided by the Strategic Director of City, Development and Neighbourhoods. A CDM Compliance Strategy was agreed at the May 2023 meeting of the City, Development and Neighbourhood's (CDN) DMT and supporting activities are now taking place to ensure that the new governance arrangements are fully introduced. As at the end of June 2023, the register of 'live' notifiable projects had been populated and it is expected that Management Information (MI) reporting will be presented to the next meeting of the CDN DMT to support their review of Quarter 1 (2023/24) activity. To allow the reporting and review by the CDN DMT to be confirmed, the target date for completing the action has been extended to the end of August 2023.</b></p>	<p>Jun 2023 Extend to Aug 23</p>	
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St John the Baptist Primary School (Headteacher)	<p>The report included a number of recommendations of which five were high importance recommendations.</p> <ol style="list-style-type: none"> <li>1. The school's Standards for Financial Administration Policy should be updated and ratified by the Governing Body.</li> <li>2. Outturn statements and budget revisions should be presented and approved by the Governing Body prior to them being submitted to the Local Authority.</li> <li>3. The School Improvement Plan and Annual Budgets should be formally presented to the Governing Body, discussion and approvals of this should be clearly minuted.</li> <li>4. Payroll tabulation reports should be reconciled each month against the school's staffing and pay documentation; previous period reconciliations should be brought up to date.</li> <li>5. Audit testing identified discrepancies on payroll tabs - recommendation made to ensure staff members' personnel records on SIMS.net are kept up to date with any changes to staff contracts including changes in the pay scales</li> </ol>	<b>Internal Audit have undertaken a follow-up of all the high importance recommendations. The school has responded positively and provided evidence to confirm that all these recommendations have now been implemented.</b>	<p>January 2023</p> <p>Extend to April 2023</p>	<b>Yes</b>
Bed & Breakfast Emergency Placement (Head of Service - Housing )	<p>One high importance recommendation was made.</p> <p>Findings: Audit testing identified a number of service charges for booking hotels and breakfast charges, which were considered to be incorrectly charged as per the contract.</p> <p>Recommendation: Advice should be sought from Legal Services to establish exactly what charges the Council should be legitimately paying as per the contract. Following this advice, any charges that are considered to be overcharges should be promptly recovered.</p>	<p><b>Legal Services have now clarified what is chargeable and non-chargeable fees for bookings. Management have confirmed that all charges presented, have been reconciled and approved by a Senior Manager.</b></p> <p><b>Internal Audit will be undertaking follow-up testing to confirm implementation of the recommendation.</b></p>	<p>Dec 2022 Mar 23</p> <p><b>Extend to Aug 23</b></p>	

Emergency Repairs (Head of Service - Housing )	<p>One High Importance Recommendation was made.</p> <p>Finding : Reviews of emergency repair jobs do not regularly take place to confirm that issues have been appropriately evaluated as emergencies and that emergency repair work has been appropriately completed and recorded.</p> <p>Recommendation : A programme of evidenced, sample-based reviews of emergency repair activity will be introduced. The information required to support the programme of sample-based reviews will be agreed as readily available with the third party responsible for out-of-hours call handling services. Where issues are identified through the review process, appropriate action will be taken (e.g. the provision of additional training and guidance; the correction of recorded data).</p>	<p><b>Management have confirmed that a programme of sample-based reviews of emergency repair activity has been introduced, which will take place on an evidenced, quarterly basis (and follow the first sample-based review that took place in April 2023).</b></p> <p><b>Information to support the programme of sample-based reviews is obtained from the provider of out-of-hours call handling services and where issues are identified, appropriate action is agreed and completed, e.g. the provision of additional training and guidance. Internal Audit have reviewed the evidence of management checks undertaken in April 23 and can confirm implementation of this recommendation.</b></p>	Mar 2023	<b>Yes</b>
Reported November 2022				
Direct Payments (Head of Locality East and SRCT)	<p>The audit highlighted weakness in the annual review process. One high importance recommendation was made:</p> <p>Annual reviews of the support plans should be undertaken to establish whether the needs of the person on Direct Payments had changed and the Direct Payments remained appropriate.</p>	<p><b>Management are still in the process of recruiting for the Care Management Officers positions across the service areas to tackle the overdue reviews. The ones who have been recruited are dealing with the oldest reviews 24 months + and management will be stratifying the risks with the further data segmentation. Whilst management wants the most out of date reviews</b></p>	<p>Jan 2023 Jun 2023</p> <p><b>Extend to Dec 2023</b></p>	

		<p>completing they are also committed to the Strength Based approach. Therefore, the reviews position is a risk, but that is balanced against the risk of simply reviewing and maintaining the status quo. Internal Audit will be undertaking a follow-up review of the risk based approach that management have introduced.</p>		
Reported Sept 2022				
<p>Key ICT Controls (2020-21)</p> <p>(Head of IT Operations)</p>	<p>The audit identified a number of weaknesses, three high importance recommendations were made in the report:</p> <ol style="list-style-type: none"> <li>1. Adequate Disaster Recovery (DR) governance arrangements should be established.</li> <li>2. A High-level Disaster Recovery Test Strategy should be developed with lower-level assessments being undertaken for individual DR tests as they are planned.</li> <li>3. Resiliency testing of the network and key applications should be planned and undertaken as soon as possible</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Governance Arrangements for Disaster Recovery arrangements have been established and approved by the Architecture Board on 25<sup>th</sup> May 2023.</b></li> <li>2. <b>A Digital &amp; Data Technology (DDaT) Operations Disaster Recovery Plan has been developed and was approved by the Architecture Board on 25<sup>th</sup> May 2023.</b></li> <li>3. <b>Resiliency testing has been planned and is currently being undertaken.</b></li> </ol>	<p>Dec 2022 April 2023</p> <p><b>Extend to Nov 23</b></p>	<ol style="list-style-type: none"> <li>1. <b>Yes</b></li> <li>2. <b>Yes</b></li> <li>3. <b>No</b></li> </ol>

Reported June 2020				
GDPR (Data Protection Officer – DPO)	<p>Within the earlier audit (Nov 18) it was confirmed that although Information Asset Registers (IAR) had been completed by relevant sections, gaps had yet to be identified – this could potentially lead to Data/Information breaches as gaps in compliance are not identified.</p> <p>Two High Importance recommendations were made, one of which was cleared at the last Committee update. The remaining HI is as follows:</p> <p>Meetings with Information Asset Owners should be undertaken as a matter of urgency to identify possible gaps in meeting Data Protection Act requirements. These gaps should then form sectional action plans which the relevant section should be monitored against.</p>	<p><b>The Data Protection and Digital Information Bill has passed the 2<sup>nd</sup> reading and committee stage in the House of Commons and is at the report stage, before going for a 3<sup>rd</sup> reading and then to the House of Lords. Current proposals include the deletion of the need for Records of Processing Activities under GDPR Article 30, to be replaced with the requirement of a lighter touch record (Article 30A) only for processing that poses a high risk to data subjects. Once the Bill has become law, the Data Protection Officer proposes to review the Council's existing ROPA documents and revise it to meet the new requirements.</b></p>	<p>Jan 21 June 21 Sept 21 Dec 21 Jan 22 Apr 22 Nov 22 July 23 <b>Extend to Sept 23</b></p>	<p>1. Yes 2. <b>No</b></p>



## Appendix 2 : Summary of Internal Audit work as at 30th June 2023

### Appendix 2: Leicester City Council 2022-23 Audit Plan (includes prior year audits b/fwd) - Finalised as at 30.06.2023

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Audit Title	Assurance Level
2020-21	Planned	Leicester City Council	IT & Information Assurances	IT Audits - Key ICT controls	Partial Assurance
2020-21	Planned	Leicester City Council	Contract & Procurement	Contract Audit - Housing	Substantial Assurance
2021-22	Planned	Leicester City Council	Significant Financial Systems	Major Financial Systems(MFS) Audit - Council Tax/NNDR	Substantial Assurance
2021-22	Planned	Leicester City Council	Systems & Governance	Tax Digital	Substantial Assurance
2021-22	Planned	Leicester City Council	Systems & Governance	Residential Financial Assessment	Substantial Assurance
2021-22	Added to Plan	Leicester City Council	Governance	Procurement: Publishing Obligations Under the Local Government Transparency Code 2015	Substantial Assurance
2021-22	Planned	Leicester City Council	Governance	Schools' Governance - Minibuses	Substantial Assurance
<b>2021-22</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Governance</b>	<b>Schools' Governance - Safeguarding</b>	<b>Substantial Assurance</b>
<b>2021-22</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Governance</b>	<b>Schools' Governance - Headteachers' Pay</b>	<b>Substantial Assurance</b>
2021-22	Planned	Leicester City Council	Systems & Governance	Direct Payments	Partial Assurance
2021-22	Planned	Leicester City Council	Systems	B&B Emergency Planning (Phase 2)	Partial Assurance
2021-22	Planned	Leicester City Council	IT & Information Assurances	Tracking database	Complete
2022-23	Planned	Leicester City Council	Internal Controls	School Audits - Parks Primary School	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	School Audits - Shenton Primary School	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Aylestone Leisure Centre	Substantial Assurance

2022-23	Planned	Leicester City Council	Internal Control	Leicester Leys Sports Centre	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	School Audits - Taylor Road Primary	Substantial Assurance
2022-23	Planned	Leicester City Council	Contract & Governance	PH Contract Monitoring	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Ward Funding	Substantial Assurance
2022-23	Planned	Leicester City Council	Systems	Section 106 Agreements	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Social Care Reforms (including integration with Health)	Substantial Assurance
2022-23	Planned	Leicester City Council	Systems & Governance	House Acquisitions	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Contract Audit - Supply chain management	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Taxi Contract - Payment to Providers	Substantial Assurance
2022-23	Planned	Leicester City Council	Risk Management	Counter Fraud Strategy	Substantial Assurance

**Appendix 2: Leicester City Council 2022-23 Audit Plan (includes prior year audits b/fwd) - Finalised as at 30.06.2023**

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Audit Title	Assurance Level
2022-23	Planned	Leicester City Council	Internal Control	Critical Incidence	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Payroll	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Non Residential Financial Assessment	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Contract Audits : Waivers and Exemptions	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Council Tax Rebates	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Domiciliary Care	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Supplier bank account amendments	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Bank and key	Substantial Assurance

2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Faster Payments	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Emergency Planning	Substantial Assurance
2022-23	Planned	Leicester City Council	Risk Management	Business Continuity	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Taxi Contract - Contract Management	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	School Audits - Beaumont Leys School	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	School Audits - New College	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	SEND Funding	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Contract Audits : Evaluation Process	Substantial Assurance
2022-23	Planned	Leicester City Council	IT & Information Assurances	IT Audit: Cyber security	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Health & Safety phase 2	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Constitutional changes	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Climate change and carbon emissions (phase 1&2)	Substantial Assurance
2022-23	Planned	Leicester City Council	Schools	School Audits - Rolleston Primary School	Partial Assurance
2022-23	Planned	Leicester City Council	Schools	School Audits - Folville Junior School	Partial Assurance
2022-23	Planned	Leicester City Council	Schools	School Audits - St John the Baptist Primary School	Partial Assurance
2022-23	Planned	Leicester City Council	Schools	School Audits - Inglehurst Primary School	Partial Assurance
2022-23	Planned	Leicester City Council	Internal Controls	Emergency Repairs	Partial Assurance
2022-23	Planned	Leicester City Council	Systems & Governance	Construction (Design & Management) Regulation	Partial Assurance

2022-23	Planned	Leicester City Council	Governance	CCTV	Partial Assurance
2022-23	Planned	Leicester City Council	Internal Controls	LLEP - BEIS Growth Hub - Core	Certified

**Appendix 2: Leicester City Council 2022-23 Audit Plan (includes prior year audits b/fwd) - Finalised as at 30.06.2023**

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Audit Title	Assurance Level
2022-23	Planned	Leicester City Council	Internal Controls	LLEP - BEIS Growth Hub - Peer Networking	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Protect & Vaccinate Grant	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Supporting Families - 1st claim (June 22)	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Prevention & Promotion for Better Mental Health	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Contain Outbreak Management Fund - 2020-21	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Contain Outbreak Management Fund - 2021-22	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Adriatic Land 7 Limited Service Charges	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Green Homes Grant - Phase 1b	Certified
2022-23	Added to Plan	Leicester City Council	Internal Controls	Test & Trace Support Grant	Certified
2022-23	Added to Plan	Leicester City Council	Internal Controls	City Universal Grant	Certified
2022-23	Planned	Leicester City Council	Internal Controls	BEIS Public Sector Decarbonisation Scheme	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Adult Weight Management Grant	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Local Transport Capital Block Funding	Certified
2022-23	Planned	Leicester City Council	Internal Controls	National Productivity and Investment Fund	Certified

2022-23	Planned	Leicester City Council	Internal Controls	Supporting Families - 2nd claim (Sept 22)	Certified
2022-23	Planned	Leicester City Council	Internal Control	Bus Services Operators Grant (BSOG)	Certified
2022-23	Planned	Leicester City Council	Internal Control	Leaseholder Accounts	Certified
2022-23	Planned	Leicester City Council	Internal Control	Supporting Families - claims 3	Certified
2022-23	Planned	Leicester City Council	Internal Control	Green Homes Grant - Phase 2	Certified
2022-23	Planned	Leicester City Council	Internal Control	Disabled Facilities Capital Grant	Certified
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Bus Recovery Grant</b>	<b>Certified</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Supporting Families - claims 4</b>	<b>Certified</b>
<b>2022-23</b>	<b>Added to plan</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Biodiversity Net Gain Grant</b>	<b>Certified</b>
2022-23	Planned	Leicester City Council	Internal Control	Bus Lane Penalty Enforcements (BLPE)	Complete
<b>2023-23</b>	<b>Added to plan</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>School Payroll - A&amp;A</b>	<b>Complete</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Governance</b>	<b>Risk of governance failings</b>	<b>Complete</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Risk Management</b>	<b>Strategic Risk Management Process</b>	<b>Complete</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>IT &amp; Information Assurances</b>	<b>IT Audit: Unit 4 - Phase 2 (2022-23)</b>	<b>Complete</b>
<b>2023-24</b>	<b>Added to plan</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Post Room Move</b>	<b>Complete</b>
<b>2023-24</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Multiply Funding Grant</b>	<b>Certified</b>
<b>2023-24</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Core Growth Hub Grant Funding</b>	<b>Certified</b>
<b>2023-24</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Adriatic 7 Limited Service Charges</b>	<b>Certified</b>

2023-24	Planned	Leicester City Council	Internal Control	Supporting Families - Claim 1	Certified
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**Appendix 2: Leicester City Council : 2022-23 Audit Plan (includes prior year audits b/fwd) - Status as at 30.06.2023**

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Audit Title	Current Milestone
2022-23	Planned	Leicester City Council	Governance	Contract Audits : Consultancy Contract	Draft Report
2022-23	Planned	Leicester City Council	Governance	Haymarket	Draft Report
2022-23	Planned	Leicester City Council	Systems & Governance	Childrens Placements	Work in Progress
2022-23	Planned	Leicester City Council	Risk Management	Information Governance	Work in Progress
2022-23	Planned	Leicester City Council	Governance	Contract Audits : Contract monitoring	Work in progress
2022-23	Added to Plan	Leicester City Council	Internal Control	Imprest Account	Work in Progress
2023-24	Added to Plan	Leicester City Council	IT & Information Assurances	BACs/DD - Phase 1/2/3	Work in Progress
2023-24	Planned	Leicester City Council	Internal Control	Home Upgrade Grant Phase 1(HUG 1)	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Local Authority Delivery Phase 3 (LAD 3)	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Montrose Primary School	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Wolsey House Primary School	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Herrick Primary School	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Spinney Hill Primary School	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Housing Stores	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Transforming Cities Fund	Work in progress

2023-24	Planned	Leicester City Council	Internal Control	Construction (Design & Management) Regulation - Phase 2	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Council assets transferred	Work in progress
2023-24	Planned	Leicester City Council	Internal Control	Bus Lane Penalty Enforcements (BLPE)	Planning
2023-24	Planned	Leicester City Council	Internal Control	Car Parking Income	Planning
2023-24	Planned	Leicester City Council	Internal Control	Assets Valuation	Planning
2023-24	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) - Creditors	Planning
2023-24	Planned	Leicester City Council	Internal Control	Household Support Fund	Planning
2023-24	Planned	Leicester City Council	Internal Control	Schools Finance	Planning
2023-24	Planned	Leicester City Council	Internal Control	Contract Auditing - Bid Rigging	Planning
2023-24	Planned	Leicester City Council	Internal Control	Procurement Bill	Planning
2023-24	Planned	Leicester City Council	Internal Control	Fostering & Adoptions	Planning
2023-24	Planned	Leicester City Council	Internal Control	School Absence Monitoring	Planning

#### Appendix 2: Leicester City Council : HI recommendations follow ups as at 05.07.2023

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Title	Current Milestone
2019-20	Planned	Leicester City Council	IT & Information Assurance	GDPR#2	In progress
2019-20	Planned	Leicester City Council	Governance	Financial Management & School Governance - LA Scheme for the Financing of Schools	Completed
2019-20	Planned	Leicester City Council	Contracts	Social Value in Procurement	Completed
2021-22	Planned	Leicester City Council	Systems & Governance	Smoking Cessation	Completed
2021-22	Planned	Leicester City Council	Contract	Contract Audit - Contract arrangements during the COVID 19 period	Completed
2021-22	Planned	Leicester City Council	Systems & Governance	LLEP - Careers Hub	Completed
2021-22	Planned	Leicester City Council	Schools	Eyres Monsell Primary School	Completed
2021-22	Planned	Leicester City Council	IT & Information Assurance	Key ICT General Controls	In progress
2021-22	Planned	Leicester City Council	Systems & Governance	Direct Payments	In progress
2021-22	Planned	Leicester City Council	Governance & Internal Controls	Bed & breakfast Emergency Planning	In progress
2022-23	Planned	Leicester City Council	Governance & Internal Controls	Construction Projects (CDM Compliance)	In progress

<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Governance &amp; Internal Controls</b>	<b>Inglehurst Infant School</b>	<b>Complete</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Governance &amp; Internal Controls</b>	<b>St John the Baptist Primary School</b>	<b>Completed</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Governance &amp; Internal Controls</b>	<b>Emergency Repairs</b>	<b>Completed</b>
2022-23	Planned	Leicester City Council	Governance & Internal Controls	Folville Junior School	Completed
2022-23	Planned	Leicester City Council	Governance & Internal Controls	Rolleston Primary School	Completed
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Governance &amp; Internal Controls</b>	<b>CCTV</b>	<b>In progress</b>

#### Appendix 2: Leicester City Council 2022-23 Audit Plan - Audits postponed/cancelled as at 31.03.2023

<b>Audit Plan Yr</b>	<b>Plan State</b>	<b>Client Title</b>	<b>Audit Plan Area Names</b>	<b>Title</b>	<b>Current Milestone</b>
2022-23	Planned	Leicester City Council	Governance	Contract Audits : CPR	Replaced
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Governance</b>	<b>Housing Stores</b>	<b>Cancelled</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Grant : School's condition funding (capital maintenance works) SCA &amp;DFC</b>	<b>Cancelled</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>High Needs Provision Capital Allocations Grant</b>	<b>Cancelled</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Basic Needs Grant</b>	<b>Cancelled</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Recruitment System</b>	<b>Cancelled</b>
<b>2022-23</b>	<b>Planned</b>	<b>Leicester City Council</b>	<b>Internal Control</b>	<b>Ultra Low Emissions Vehicle (ULEV) Taxi Infrastructure Grant</b>	<b>Postponed to 2023-24</b>



2022-23	Planned	Leicester City Council	Contract & Governance	Council assets transferred	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Internal Control	Asset Valuations	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Internal Control	Transforming Cities Grant (TCF2)	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Internal Control	Grant :Social Housing Decarbonisation funding	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Internal Control	Green Homes Grant - Phase 3	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Internal Control	Transforming Cities Grant (TCF1)	Postponed to 2023-24
2022-23	Planned	Leicester City Council	IT & Information Assurances Governance	IT Audit: Digitisation projects e.g. replacement of Firmstep CRM	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Risk Management	Fire risk in owned and occupied buildings	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Internal Control	Bus Lane enforcement - Phase 2	Postponed to 2023-24
2022-24	Planned	Leicester City Council	Risk Management	Construction (Design & Management) Regulation	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Governance	Spend controls	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Income streams - accounting and reconciliation	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Governance	LLEP	Postponed to 2023-24
2022-23	Added to Plan	Leicester City Council	Internal Control	IR35	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Treasury Management	Postponed to 2023-24
2022-23	Planned	Leicester City Council	IT & Information Assurances	IT Audit: Key ICT controls	Postponed to 2023-24
2022-23	Planned	Leicester City Council	Governance	Assurance framework	Postponed to 2023-24



**Leicester City Council**  
**Head of Internal Audit Service**  
**Annual Report 2022-23**

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**Neil Jones CPFA,**  
**Head of Internal Audit & Assurance Service, Leicestershire**  
**County Council**

**6 July 2023**

**Leicester City Council**  
**Head of Internal Audit Service**  
**Annual Report 2022-23**

**Background**

1. A common set of Public Sector Internal Audit Standards (PSIAS) was adopted in April 2013 and revised from April 2017. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows: -
  - i. The Mission of Internal Audit
  - ii. Definition of Internal Auditing
  - iii. Core Principles for the Professional Practice of Internal Auditing
  - iv. Code of Ethics
  - v. International Standards for the Professional Practice of Internal Auditing
2. Additional requirements and interpretations for the local government sector have been inserted into the PSIAS and all principal local authorities must make provision for internal audit in accordance with the PSIAS.
3. The objectives of the PSIAS are to: -
  - a. define the nature of internal auditing within the UK public sector
  - b. set principles for carrying out internal audit in the UK public sector
  - c. establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations
  - d. establish the basis for the evaluation of internal audit performance and to drive improvement planning
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' (for Leicester City Council this is the Governance & Audit Committee) timed to support the annual governance statement.
5. The PSIAS state that the annual report must include:
  - a. an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment (i.e. its framework of governance, risk management and internal control) and disclosure of any qualifications to the opinion, together with the reasons for the qualification
  - b. a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies) and disclosure of any impairments or restriction in scope
  - c. a comparison of the work actually undertaken with the work that was planned including a summary of the performance of the internal audit function against its performance measures and targets
  - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) and progress against any improvement plans resulting from a QAIP external assessment.
  - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

## **The Annual Internal Audit Opinion on the Adequacy and Effectiveness of Leicester City Council's Control Environment**

6. **Annex 1** provides detail on how the annual internal audit opinion was formed, explains the types of audits undertaken, the components of the control environment and what it is designed to achieve, and provides a caveat on any opinions reached.
7. The opinion is based on an objective assessment of the results of individual audits undertaken, actions by management thereafter and the professional judgement of the HoIAS in evaluating other related activities including the Council's plans and responses received. For 2022-23, the HoIAS reviewed actions taken to promote good governance, mitigate risk and retain control throughout the continuing coronavirus. The following opinion has been reached:

**HolIAS opinion: A return to more stable working environments following covid-19, along with a fully staffed Internal Audit Service throughout the year, resulted in increases to both the number of audits undertaken and days provided. There was a noticeable shift back to assurance based audits.**

**There was a reduction in the proportion of audits returning partial assurance ratings and management accepted and has responded to internal audit recommendations. Nothing else of significance has been brought to his attention so the HoIAS considers that during 2022-23, reasonable assurance can be given that the Council's control environment remained overall adequate and effective.**

8. At the 30<sup>th</sup> June 2023, the outcomes of 6 audits hadn't been concluded with management. Whilst some recommendations have been (or will be) made, their outcomes will not affect the overall opinion given.

### **A summary of the audit work from which the opinion is derived**

9. **Annex 2** lists the audits and other work undertaken by LCCIAS during the year and where appropriate contains the individual audit opinion.
10. 10 prior year audits were eventually concluded showing the effect of covid on both organisations and staffing stability had improved. Progressing the 2022-23 plan was considerably easier than previous years. Grant certifications used up less of a resource than previous years reflecting the tail off in covid grants, nevertheless the use of resource in this area remains a common issue across all local authorities.
11. Overall, for work completed at 30<sup>th</sup> June, 41 audits returned a 'substantial' assurance' rating, meaning the controls in place to reduce exposure to risks to achieving the system's objectives were well designed and were being operated effectively.
12. 7 new year audits resulted in partial assurance ratings. This was because either specific high importance (HI) recommendations (or a combination of

several important recommendations) were identified denoting there was either an absence of, or a weakness in control and achievement of the service's objectives was open to material risk exposure. HI recommendations/partial assurance ratings are reported in summary to the Governance & Audit Committee (the Committee) and they stay in the Committee's domain until the HoIAS has confirmed (by obtaining evidence or even specific re-testing) that action has been implemented. During 2022-23, of the 11 HI recommendations closed off after follow up, 6 related to prior year audits, however those relating to a further 4 prior year audits remain. The HoIAS remains satisfied that senior management and Members pay attention to the implementation of HI recommendations/partial assurance ratings. However, he will actively monitor and report slippage in implementation which might indicate increasing pressures and strains on the control environment.

13. Each of the five 'major financial systems' audits returned positive assurance ratings as did a number of other financial systems audits.
14. Conclusion of the regular key ICT controls work was delayed and remains in draft with a partial assurance rating.
15. There was an increase in maintained school audits being audited. Three prior year audits of school governance arrangements were concluded with substantial assurance.
16. Advice was given in a number of areas including on the revised Bus Lane Penalty Enforcement back office project and the Unit 4 Financial System development.
17. 24 grants and other claims and returns were reviewed and certified as accurate. This was a small decrease on the previous year.
18. The PSIAS require that the HoIAS should disclose where reliance is placed on work by other assurance bodies. For 2022-23 the HoIAS took assurance externally from a Department for Transport (DfT) commissioned independent assurance review of the Transforming Cities Fund (TCF) and was provided meeting notes of a virtual discussion with National Audit Office auditors who were undertaking a Active Travel study on behalf of the DfT.

**A comparison of work undertaken with work planned including a summary of the performance of the internal audit function**

19. The tables below show performance both in terms of number of audits and days allocated.

**Table 1: Overall performance against 2022-23 internal audit plan**

<b><u>Position as at 30 June 2022</u></b>	<b><u>Total</u></b>	<b><u>Complete</u></b>	<b><u>Draft issued</u></b>	<b><u>In progress</u></b>	<b><u>Postpone or Cancel</u></b>
Assurance audits	72	51	3	2	16
Consulting audits	7	6	-	1	0
Grants/other	32	24	-	0	8
Follow ups	17	11	-	6	0
<b>Total</b>	<b>128</b>	<b>92</b>	<b>3</b>	<b>9</b>	<b>24</b>
Prior year 30/4/22	80	62	5	13	16

20. The 2022-23 plan contained several potential areas for audit that for a variety of reasons didn't come to fruition. Some have been included in the 2023-24 plan.
21. For the period 1st April 2022 to 31st March 2023, 875 days were recorded (2021-22 same period was 641) which was sufficient coverage to be able to form an opinion. The significant increase in days on the previous year reflects a full staffing establishment and the reduced effects of covid on progressing work. The additional 234 days was utilised on auditing not client management.

Results were: -

<b><u>Function</u></b>	<b><u>2021-22</u></b>	<b><u>2022-23</u></b>	<b><u>+/-</u></b>
Audits (assurance, consulting, investigations)	542	<b>782</b>	<b>+240</b>
Client management – includes committees	99	<b>93</b>	<b>-6</b>
<b>Total</b>	<b>641</b>	<b>875</b>	<b>+234</b>

22. Almost 60% of the time was provided by senior/experienced staff: -

<b><u>Position</u></b>	<b><u>Days</u></b>	<b><u>%</u></b>	<b><u>Days</u></b>	<b><u>%</u></b>
HolAS & Audit Managers	158	25	<b>172</b>	<b>20</b>
Senior Auditors & ICT Auditor	166	26	<b>340</b>	<b>39</b>
Other	317	49	<b>363</b>	<b>41</b>
<b>Total</b>	<b>641</b>	<b>100</b>	<b>875</b>	<b>100</b>

23. Synergy was achieved i.e. where the same audit has been undertaken at the City and County Councils (especially grants).
24. LCCIAS regularly liaises with the Council's risk, counter fraud, procurement and information governance leads, shares consultation responses and governance and risk research and publications and feeds back information gathered from other local authorities to enable comparisons. Examples are shown at the end of annex 2.

25. 13 customer satisfaction questionnaires were returned and all were satisfied with the audit process.

**A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)**

26. Leicestershire County Council Internal Audit Service is due its 5 yearly external quality assessment. In preparation for this the HoIAS undertook only a light touch self-assessment of LCCIAS's conformance to the PSIAS to confirm that the County Council's internal audit activity generally conforms with the International Standards for the Professional Practice of Internal Auditing. Notes supporting the self-assessment, and changes (in bold font), are reported in **Annex 3**. There were no significant deviations from the PSIAS.
27. The HoIAS also light touch reviewed the service's Quality Assurance and Improvement Programme (QAIP). Some action dates have had to be extended and are reported (in bold font) at the end of **Annex 4**.

**Any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement (AGS)**

28. For the year 2022-23, nothing has been brought to the HoIAS' attention that he considers relevant to the preparation of the AGS.

Neil Jones CPFA  
Head of Internal Audit & Assurance Service  
LCCIAS

6 July 2023.



**The Head of Internal Audit Service's Annual Opinion  
on the overall adequacy and effectiveness  
of Leicester City Council's control environment  
2022-23**

**Neil Jones CPFA, Head of Internal Audit & Assurance Service,  
Leicestershire County Council**

**5 July 2023**

## Background

The Head of Internal Audit and Assurance Service, Leicestershire County Council undertakes the role and responsibilities of Leicester City Council's (the Council's) Head of Internal Audit Service (HoIAS). The HoIAS manages Leicestershire County Council's Internal Audit Service (LCCIAS). In April 2018, LCCIAS was independently externally assessed as generally conforming (the top rating) to the Public Sector Internal Audit Standards (the PSIAS). The PSIAS require the HoIAS to give an annual opinion on the overall adequacy and effectiveness of the Council's control environment (its framework of governance, risk management and control). The PSIAS definition of the control environment is found at the end of this document, along with further explanation from the Institute of Internal Auditors about what an effective system of internal control facilitates.

The HoIAS annual opinion is **macro**-assurance over a defined period (financial year 2022-23) and is based upon a combination of:

- An objective assessment based on the results of individual audits undertaken and actions taken by management thereafter. Individual internal audit opinions on what level of assurance can be given as to whether risk is being identified and adequately managed are formed by applying systematic grading to remove any elements of subjectivity. **Annex 2** lists the audits and other work undertaken during the year and, where appropriate, the individual audit opinion. Individual audit engagements provide targeted **micro**-assurance.
- The HoIAS' role in preparing for, attending and reporting to the Audit & Risk Committee and his observations of other reports and engagement in specific training provided.
- The HoIAS' reflection on other sources of independent assurance received.
- The professional judgement of the HoIAS based on his knowledge, experience and evaluation of other related activities. This provides a holistic, strategic insight into the City Council's control environment.

The results of the above, when combined, form the basis for the HoIAS opinion on the overall adequacy of the Council's control environment (see definitions). However, the caveat at the end of the document explains what internal control cannot do, i.e. no system of internal control can provide absolute assurance against material misstatement or loss, nor can LCCIAS give absolute assurance, especially given its limited resource. The work of LCCIAS is intended only to provide reasonable assurance on the adequacy of the control environment based on the work undertaken and known facts.

## Governance related internal audit work

Governance arrangements were reviewed in several audits some examples being Public Health Contract Monitoring, CCTV arrangements, contract arrangements for evaluations, waivers and exemptions and ward funding. Overall, recommendations were to improve governance i.e. not to have to establish it.

The HoIAS provided an update on progressing recommendations from CIPFA's report 'Internal Audit: Untapped Potential' and his discussions with the Deputy Director of Finance.

Throughout the year the HoIAS (and Audit Manager) attended the Audit & Risk Committee (the Committee) to present plans and reports on the internal audit activity, which enabled him to gauge Member level governance at first hand and observe the training delivered by officers to support their knowledge and role. The HoIAS and Audit Manager attended Management Teams to discuss the contents of internal audit plans.

The HoIAS received assurance internally from guidance briefings from the Chief Operating Officer on reminding staff on good governance and the Council's Local Code of Conduct, and the Monitoring Officer's reminder to Directors on political restrictions. In addition he received the introduction and slide deck to presentations available to all staff on Good Governance conducted by the Director of Delivery, Communications, and Political Governance and Monitoring Officer. The HoIAS shared with key officers a number of publications and guides on governance related themes. These are listed at the bottom of Annex 2. In order to gauge effective scrutiny, the HoIAS reviewed a number of Overview Select Committee webinars and associated certain reports including the Scrutiny Annual Report.

The HoIAS received assurance externally from a Department for Transport (DfT) commissioned independent assurance review of the Transforming Cities Fund (TCF) and was provided meeting notes of a virtual discussion with National Audit Office auditors who were undertaking a Active Travel study on behalf of the DfT. Unfortunately he couldn't place assurance on the External Auditor's Annual Report for 2021-22, including their work on VfM arrangements including 'Governance' since it hadn't been produced at the time of this opinion.

### **Risk management related internal audit work**

A range of audits planned and conducted were 'risk based' i.e. ensuring that the Council's management identifies, evaluates and manages risk to achieving its objectives i.e. ensuring controls are in place to reduce risk exposure. Specific audits of the Council's Counter Fraud Strategy, Business Continuity and Emergency Planning arrangements were undertaken. The HoIAS received further assurance internally from reviewing the arrangements to revise the identification, reviewing reporting of strategic risks.

### **Financial (and ICT) Controls related internal audit work**

A considerable number of audits were undertaken on areas of key financial systems for example council tax rebates, payroll and bank and key control account reconciliations. A significant amount of internal audit time was focussed on certifying grant claims. All grants (and other returns) audited met their conditions to be certified.

**Holias opinion: A return to more stable working environments following covid-19, along with a fully staffed Internal Audit Service throughout the year, resulted in increases to both the number of audits undertaken and days provided. There was a noticeable shift back to assurance based audits.**

**There was a reduction in the proportion of audits returning partial assurance ratings and management accepted and has responded to internal audit recommendations. Nothing else of significance has been brought to his attention so the HoIAS considers that during 2022-23, reasonable assurance can be given that the Council's control environment remained overall adequate and effective.**

## **Definitions**

The revised 2017 Public Sector Internal Audit Standards (the PSIAS) define the following: -

### **Assurance audit**

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

### **Consulting audit**

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

### **Governance**

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

### **Risk Management**

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

### **Control**

Actions taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

### **Control Environment**

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. It includes the following:

- Integrity and ethical values
- Management's philosophy and operating style
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

The IIA defines the control environment as the foundation on which an effective system of internal control is built and operated in an organisation that strives to achieve its strategic objectives, provide reliable financial reporting to internal and external stakeholders, operate its business efficiently and effectively, comply with all applicable laws and regulations, and safeguard its assets

### **Caveat**

The Financial Reporting Council in an Auditing Practices Board briefing paper, 'Providing Assurance on the Effectiveness of Internal Control' explains what internal control cannot do, namely: -

'A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees or others, management overriding controls and the occurrence of unforeseen circumstances. A sound system of internal control therefore provides reasonable, but not absolute assurance that an organisation will not be hindered in achieving its objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against an organisation failing to meet its objectives, or all material errors, losses, fraud or breaches of laws and regulations'.



Leicester City Council 2022-23 Audit Plan (includes prior year audits b/fwd) - Finalised as at 30.06.2023

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Audit Title	Assurance Level
2020-21	Planned	Leicester City Council	IT & Information Assurances	IT Audits - Key ICT controls	Partial Assurance
2021-22	Planned	Leicester City Council	Systems & Governance	Direct Payments	Partial Assurance
2021-22	Planned	Leicester City Council	Systems	B&B Emergency Planning (Phase 2)	Partial Assurance
2022-23	Planned	Leicester City Council	Schools	School Audits - Folville Junior School	Partial Assurance
2022-23	Planned	Leicester City Council	Schools	School Audits - St John the Baptist Primary School	Partial Assurance
2022-23	Planned	Leicester City Council	Schools	School Audits - Inglehurst Primary School	Partial Assurance
2022-23	Planned	Leicester City Council	Internal Controls	Emergency Repairs	Partial Assurance
2022-23	Planned	Leicester City Council	Systems & Governance	Construction (Design & Management) Regulation	Partial Assurance
2022-23	Planned	Leicester City Council	Governance	CCTV	Partial Assurance
2022-23	Planned	Leicester City Council	Schools	School Audits - Rolleston Primary School	Partial Assurance
2020-21	Planned	Leicester City Council	Contract & Procurement	Contract Audit - Housing	Substantial Assurance
2021-22	Planned	Leicester City Council	Significant Financial Systems	Major Financial Systems(MFS) Audit - Council Tax/NNDR	Substantial Assurance
2021-22	Planned	Leicester City Council	Systems & Governance	Tax Digital	Substantial Assurance
2021-22	Planned	Leicester City Council	Systems & Governance	Residential Financial Assessment	Substantial Assurance
2021-22	Planned	Leicester City Council	Governance	Schools' Governance - Minibuses	Substantial Assurance
2021-22	Planned	Leicester City Council	Governance	Schools' Governance - Safeguarding	Substantial Assurance
2021-22	Planned	Leicester City Council	Governance	Schools' Governance - Headteachers' Pay	Substantial Assurance
2021-22	Added to Plan	Leicester City Council	Governance	Procurement: Publishing Obligations Under the Local Government Transparency Code 2015	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	SEND Funding	Substantial Assurance
2022-23	Planned	Leicester City Council	IT & Information Assurances Governance	IT Audit: Cyber security	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Health & Safety phase 2	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Constitutional changes	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Climate change and carbon emissions (phase 1&2)	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Contract Audits : Evaluation Process	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	School Audits - Shenton Primary School	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Aylestone Leisure Centre	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Leicester Leys Sports Centre	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	School Audits - Taylor Road Primary	Substantial Assurance
2022-23	Planned	Leicester City Council	Contract & Governance	PH Contract Monitoring	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Ward Funding	Substantial Assurance
2022-23	Planned	Leicester City Council	Systems	Section 106 Agreements	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Social Care Reforms (including integration with Health)	Substantial Assurance
2022-23	Planned	Leicester City Council	Systems & Governance	House Acquisitions	Substantial Assurance

2022-23	Planned	Leicester City Council	Governance	Contract Audit - Supply chain management	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Taxi Contract - Payment to Providers	Substantial Assurance
2022-23	Planned	Leicester City Council	Risk Management	Counter Fraud Strategy	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Critical Incidence	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Payroll	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Non Residential Financial Assessment	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Contract Audits : Waivers and Exemptions	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Council Tax Rebates	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Domiciliary Care	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Supplier bank account amendments	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Bank and key control account reconciliations	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Major Financial Systems(MFS) : Faster Payments	Substantial Assurance
2022-23	Planned	Leicester City Council	Governance	Emergency Planning	Substantial Assurance
2022-23	Planned	Leicester City Council	Risk Management	Business Continuity	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	Taxi Contract - Contract Management	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	School Audits - Beaumont Leys School	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Control	School Audits - New College	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Controls	School Audits - Parks Primary School	Substantial Assurance
2022-23	Planned	Leicester City Council	Internal Controls	Protect & Vaccinate Grant	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Supporting Families - 1st claim (June 22)	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Prevention & Promotion for Better Mental Health	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Contain Outbreak Management Fund - 2020-21	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Contain Outbreak Management Fund - 2021-22	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Adriatic Land 7 Limited Service Charges	Certified
2022-23	Added to Plan	Leicester City Council	Internal Controls	Test & Trace Support Grant	Certified
2022-23	Planned	Leicester City Council	Internal Controls	BEIS Public Sector Decarbonisation Scheme	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Adult Weight Management Grant	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Supporting Families - 2nd claim (Sept 22)	Certified
2022-23	Planned	Leicester City Council	Internal Control	Supporting Families - claims 3	Certified
2022-23	Planned	Leicester City Council	Internal Control	Green Homes Grant - Phase 2	Certified
2022-23	Planned	Leicester City Council	Internal Control	Disabled Facilities Capital Grant	Certified
2022-23	Planned	Leicester City Council	Internal Control	Bus Recovery Grant	Certified
2022-23	Planned	Leicester City Council	Internal Control	Supporting Families - claims 4	Certified
2022-23	Added to plan	Leicester City Council	Internal Control	Biodiversity Net Gain Grant	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Local Transport Capital Block Funding	Certified



**Summary of work supporting the HoIAS Opinion 2022-23****Annex 2**

2022-23	Planned	Leicester City Council	Internal Controls	National Productivity and Investment Fund	Certified
2022-23	Planned	Leicester City Council	Internal Controls	LLEP - BEIS Growth Hub - Core	Certified
2022-23	Planned	Leicester City Council	Internal Controls	LLEP - BEIS Growth Hub - Peer Networking	Certified
2022-23	Planned	Leicester City Council	Internal Controls	Green Homes Grant - Phase 1b	Certified
2022-23	Added to Plan	Leicester City Council	Internal Controls	City Universal Grant	Certified
2022-23	Planned	Leicester City Council	Internal Control	Bus Services Operators Grant (BSOG)	Certified
2022-23	Planned	Leicester City Council	Internal Control	Leaseholder Accounts	Certified
2022-23	Planned	Leicester City Council	Governance	Risk of governance failings	Complete
2022-23	Planned	Leicester City Council	Risk Management	Strategic Risk Management Processs	Complete
2023-23	Added to plan	Leicester City Council	Internal Control	School Payroll - A&A	Complete
2021-22	Planned	Leicester City Council	IT & Information Assurances	Tracking database	Complete
2022-23	Planned	Leicester City Council	Internal Control	Bus Lane Penalty Enforcements (BLPE)	Complete
2022-23	Planned	Leicester City Council	IT & Information Assurances Governance	IT Audit: Unit 4 - Phase 2 (2022-23)	Complete

**Leicester City Council : 2022-23 Audit Plan (includes prior year audits b/fwd) - Status as at 30.06.2023**

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Audit Title	Current Milestone
2022-23	Planned	Leicester City Council	Governance	Contract Audits : Consultancy Contract	Draft Issued
2022-23	Planned	Leicester City Council	Systems & Governance	Childrens Placements	Draft being produced
2022-23	Planned	Leicester City Council	Risk Management	Information Governance/Third Party Data Management	Draft Being Reviewed
2022-23	Planned	Leicester City Council	Governance	Haymarket	Discussion Draft Issued
2022-23	Planned	Leicester City Council	Governance	Contract Audits : Contract monitoring	Work in progress
2022-23	Added	Leicester City Council	Internal Control	Imprest Account	Draft Issued

**Leicester City Council : HI recommendations follow ups as at 30.6.2023**

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Title	Current Milestone
2019-20	Planned	Leicester City Council	IT & Information Assurances	GDPR - 2 recommendations	In progress
2019-20	Planned	Leicester City Council	Governance	Financial Management & School Governance - LA Scheme for the Financing of Schools	Completed
2019-20	Planned	Leicester City Council	Contracts	Social Value in Procurement	Completed
2021-22	Planned	Leicester City Council	Systems & Governance	Smoking Cessation	Completed
2021-22	Planned	Leicester City Council	Contract	Contract Audit - Contract arrangements during the COVID 19 period	Completed
2021-22	Planned	Leicester City Council	Systems & Governance	LLEP - Careers Hub	Completed
2021-22	Planned	Leicester City Council	Schools	Eyres Monsell Primary School	Completed
2021-22	Planned	Leicester City Council	IT & Information Assurances	Key ICT General Controls	In progress
2021-22	Planned	Leicester City Council	Systems & Governance	Direct Payments	In progress
2021-22	Planned	Leicester City Council	Governance & Internal Controls	Bed & breakfast Emergency Planning	In progress

Summary of work supporting the HoIAS Opinion 2022-23

Annex 2

2022-23	Planned	Leicester City Council	Governance & Internal Controls	Construction Projects (CDM Compliance)	In progress
2022-23	Planned	Leicester City Council	Governance & Internal Controls	Inglehurst Infant School	Completed
2022-23	Planned	Leicester City Council	Governance & Internal Controls	St John the Baptist Primary School	Completed
2022-23	Planned	Leicester City Council	Governance & Internal Controls	Emergency Repairs	Completed
2022-23	Planned	Leicester City Council	Governance & Internal Controls	Folville Junior School	Completed
2022-23	Planned	Leicester City Council	Governance & Internal Controls	Rolleston Primary School	Completed

Information Shared 2022-23

- CIPFA Webinar-fraud-or-poor-contract-management
- CIPFA's Position Statement on Audit Committees in Local Authorities and Police 2022
- Public Interest Reports
- Grant Thornton - Public Interest Reports
- Intitute of Internal Auditors - Corporate Culture
- Digital-Risk-Maturity-Report-2022
- Getting the best out of your procurement
- Fraud is on the rise
- LGC article on waste collection strikes
- Effective scrutiny of Treasury Management - self assessment guide by CIPFA
- IPSOS DCMS\_Exploring\_Organisational\_Security\_Breaches\_Report\_080722
- Supporting the 6 key pillars of employee wellbeing through an internet

<b>Requirement</b>	<b>GC</b>	<b>PC</b>	<b>DNC</b>	<b>Notes supporting assessment at 28 June 2023 (bold font = new/updated)</b>
<b>Mission of internal audit</b>	Y			
<b>Definition of Internal Auditing</b>	Y			<b>Replacement lead on LCC CRR process started 10/2022</b>
<b>Core Principles</b>	Y			QAIP records the need to better demonstrate quality and continuous improvement
<b>Code of Ethics</b>	Y			<b>All staff completed self-assessment of conformance in June 2022</b>
<b>1000 Purpose, Authority and Responsibility</b>	Y			<b>Missed target to review/revise charters – complete by end of September 2023 – reflect new relationships</b>
<b>1100 Independence and Objectivity</b>	Y			<b>LCC risk management maturity review by insurer planned for autumn</b>
1110 Organisational Independence	Y			
1111 Direct Interaction with the Board	Y			
1120 Individual Objectivity	Y			
1130 Impairment to Independence or Objectivity	Y			<b>By end of September 2023 – update Charters for guidance on fraud responsibility at all but City . Add in responsibility for insurance</b>
<b>1200 Proficiency and Due Professional Care</b>	Y			
1210 Proficiency	Y			
1220 Due Professional Care	Y			
1230 Continuing Professional Development	Y			<b>Complete full staff APR by end of September</b>
<b>1300 Quality Assurance and Improvement Programme</b>	Y			<b>Designed &amp; implemented but needs updates on actions</b>
<b>1310 Requirements of the Quality Assurance and Improvement</b>	Y			

Programme				
1311 Internal Assessments	Y			
1312 External Assessments	Y			<b>EQA was completed in March 2018 'generally conforms'. Plan in summer 23 for autumn 23</b>
1320 Reporting on the Quality Assurance and Improvement Programme	Y			
<b>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</b>	Y			
<b>1322 Disclosure of Non-conformance</b>	Y			
<b>4 Performance Standards</b>	Y			
<b>2000 Managing the Internal Audit Activity</b>	Y			
<b>2010 Planning</b>	Y			<b>Needs a strategy and DA strategy</b>
2020 Communication and Approval	Y			
2030 Resource Management	Y			<b>Fully staffed team very experienced</b>
2040 Policies and Procedures	Y			<b>DA strategy + remote working Audit manual needs updating to incorporate remote working procedures</b>
2050 Coordination	Y			
2060 Reporting to Senior Management and the Board	Y			

2070 External Service Provider and Organisational Responsibility for Internal Auditing	Y			
2100 Nature of Work	Y			
2110 Governance	Y			<b>Need to re-establish performance management in the service</b>
2120 Risk Management	Y			
2130 Control	Y			
2200 Engagement Planning	Y			
2210 Engagement Objectives	Y			
2220 Engagement Scope	Y			
2240 Engagement Work Programme	Y			
2300 Performing the Engagement	Y			
2310 Identifying Information	Y			
2320 Analysis and Evaluation	Y			Everyone in team now trained in basic DA. <b>Senior Auditor is taking the lead and contributes to DA group for Midlands Counties and IIA</b>
2330 Documenting Information	Y			
2340 Engagement Supervision	Y			<b>HoIAS to re-establish quality checks</b>
2400 Communicating Results	Y			
2410 Criteria for Communicating	Y			
2420 Quality of Communications	Y			<b>Speed reports being trialled</b>

2421 Errors and Omissions	Y			
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	Y			
2431 Engagement Disclosure of Non-conformance	Y			
2440 Disseminating Results	Y			
2450 Overall Opinion	Y			
2500 Monitoring Progress	Y			Started since 10/22 to f/u on ALL recommendations as per EA
2600 Communicating the Acceptance of Risks	Y			implement HoIAS review of any recommendations not agreed

#### Explanations of 'conformance'

**GC – “Generally Conforms”** means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, “successful practice,” etc.

**PC – “Partially Conforms”** means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

**DNC – “Does Not Conform”** means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity’s effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.

Neil Jones, Head of Internal Audit & Assurance Service, Leicestershire County Council 28 June 2023.





## LCCIAS - Quality Assurance Improvement Programme – June 2023 – Annex 4

Role	Responsibilities	Evidence (& actions required)
<b>Head of Internal Audit Service</b> Develop, maintain and report on a Quality Assurance Improvement Programme (QAIP)	<ul style="list-style-type: none"> <li>• Develop and maintain the governance structure for the Internal Audit Service including:                             <ul style="list-style-type: none"> <li>○ Internal Audit Strategy and <b>Data Analytics Strategy</b> approved by Chief Financial Officer (CFO)</li> <li>○ Internal Audit Charter(s) – revised in line with IASAB changes when required and reported to Committees</li> <li>○ <b>Standard Procedures (IA Manual)</b></li> <li>○ Internal Audit Annual Service Plan</li> <li>○ Counter Fraud Biennial Work Plan</li> <li>○ Combined Assurance Model</li> </ul> </li> <li>• Develop and maintain internal audit policy and practice to ensure that they conform to the Mission, Purpose, Core Principles and Definition of Internal Audit, Code of Ethics and the Standards</li> <li>• Undertake an annual PSIAS self-assessment to ensure conformance</li> <li>• Annual self-assessment against the CIPFA Statement on the role of the Head of Internal Audit in Local Government</li> <li>• Annually arrange, review and record staff: -                             <ul style="list-style-type: none"> <li>○ self-assessments against the Standards' Code of Ethics – reminder to review and update</li> <li>○ declarations of interest</li> </ul> </li> <li>• Ensure independent external quality assessment is performed at least once every 5 years</li> <li>• Maintain an improvement plan on the results of ongoing and periodic assessments of quality</li> <li>• Communicate the results of the QAIP to senior management and the appropriate bodies' committees with responsibility for the internal audit function namely: -</li> </ul>	<ul style="list-style-type: none"> <li>• Roles and responsibilities are clearly identified in job descriptions/person specifications</li> <li>• <b>Devise IA Strategy and issue along with DA strategy (action #1)</b></li> <li>• Audit Charters approved by respective senior management and committees responsible for the internal audit function. <b>Need review/revision (#2)</b></li> <li>• Started on procedures but <b>require an Audit Manual (#3)</b></li> <li>• <b>Develop a LCC Assurance Map (#4)</b></li> <li>• Annual PSIAS internal self-assessment and QAIP improvement plan</li> <li>• <b>Conduct self-assessment against CIPFA Statement (#5)</b></li> <li>• Head of Internal Audit Service annual report and opinion on governance, risk and control includes the results of the QAIP</li> <li>• Balanced Internal Audit Plan - appropriately resourced –)</li> </ul>

Role	Responsibilities	Evidence (& actions required)
	<ul style="list-style-type: none"> <li>○ Corporate Governance Committee – Leicestershire County Council</li> <li>○ Finance &amp; Audit Subcommittee and Management Committee – ESPO</li> <li>○ Pension Board – Leicestershire Pension Fund</li> <li>○ Corporate Governance Committee – Leicestershire Fire &amp; Rescue Service</li> <li>○ Audit &amp; Risk Committee – Leicester City Council</li> <li>• Report any significant non-conformance in the appropriate bodies' Annual Report and Annual Governance Statement.</li> <li>• Inform any annual review of the system of internal audit undertaken by the organisation</li> <li>• Undertake regular stakeholder communications to assess the degree to which the Internal Audit Service meets customer expectations (formal and informal)</li> <li>• induction programmes, training plans and associated training activities</li> <li>• maintain training records and training evaluation procedures</li> <li>• ensure professional staff are completing their institutes' CPD</li> <li>• the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)</li> <li>• Undertake periodic benchmarking and/or obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes</li> </ul>	<ul style="list-style-type: none"> <li>• Performance framework sets out requirements for people strategy and performance monitoring (#6)</li> <li>• Annual appraisal of performance of HoIAS by AD Finance, Strategic Property &amp; Commissioning (informed by others) and throughout the team using the corporate</li> <li>• Develop more regular formal assessments of IAS quality and value with key stakeholders (#7)</li> <li>• Re-introduce formal training plans in APR process (#8)</li> <li>• HoIAS review of contentious, sensitive draft reports and sign off</li> <li>• Rotation of team supervision / people</li> </ul>

Role	Responsibilities	Evidence (& actions required)
<b>Head of Internal Audit Service</b> Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit standards	<b>Periodic quality assurance assessments</b> Review work performed to ensure conformance with the Mission, Purpose, Core Principles and Definition of Internal Audit, Code of Ethics and the Standards and LCCIAS policies and procedures – to include the following key stages  <b>Audit Process</b> <ul style="list-style-type: none"> <li>○ Ensure engagements were conducted in accordance with practice.</li> <li>○ That the Audit Manager allocated the right people, with appropriate skills and experience, to perform the audit</li> <li>○ Quality of engagement planning and supervision</li> <li>○ Quality of working papers and evidence to support conclusions and recommendations.</li> <li>○ Depth/scope of Audit Manager review points</li> <li>○ Quality of communications of results and the final report</li> <li>○ Assess how well the audit delivered and added value to governance, risk and control framework of the organisation</li> </ul> <b>Performance</b> <ul style="list-style-type: none"> <li>○ Ensure the work was achieved within budgets (time/pace)</li> <li>○ Achieved performance standards</li> </ul> <b>People</b> <ul style="list-style-type: none"> <li>○ Ensure individual auditors are trained and developed with appropriate performance evaluations undertaken at audit engagement level and individual performance appraisal are completed</li> </ul>	<ul style="list-style-type: none"> <li>• Recording the outcome of ongoing QA – using standard checklist based on conformance with definition of IA, code of ethics and <i>Standards</i> on a sample of audits.</li> <li>• Monitoring of the outcome of post audit debrief discussions</li> <li>• Monitoring of the outcome of post audit questionnaire feedback –</li> <li>• Monthly 1:1 for Audit Managers</li> <li>• Annual performance appraisal and 6 monthly reviews completed</li> <li>• Individual training and development plans</li> <li>• Service training and development plan</li> <li>• Re-introduce HoIAS periodic second review of engagement records (#9)</li> </ul>

## LCCIAS - Quality Assurance Improvement Programme – June 2023 – Annex 4

Role	Responsibilities	Evidence (& actions required)
Role	Responsibilities (& actions required)	Evidence (& actions required)
<b>Audit Managers</b> Obtain on-going assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards  Undertake engagement supervision and review to varying degrees	<b>Ongoing monitoring – quality built into the audit process</b> Quality checks and oversight undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working effectively. It covers the whole of the audit process but primarily these key stages:  <b>Engagement Planning</b> <ul style="list-style-type: none"> <li>○ Ensure that the audit engagement is allocated with the appropriate resources - right people with the right skills to identify significant issues</li> <li>○ Provide suitable instructions at the outset of the engagement</li> <li>○ Risks relevant to the activity under review have been assessed and the scope and coverage of the audit reflects this risk assessment</li> <li>○ Exclusions are sensible</li> <li>○ Other lines of defence have been identified and recoded</li> <li>○ Approve the Terms of Engagement (ToE) prior to the commencement of the fieldwork</li> </ul> <b>Fieldwork</b> <ul style="list-style-type: none"> <li>○ Ensure that audits are conducted as planned and that any (significant?) variations are approved in advance of undertaking them</li> </ul>	<ul style="list-style-type: none"> <li>• ToE agreed with auditors &amp; approved</li> <li>• ToE monitored for delivery – budget and pace</li> <li>• Sign off controls and tests to ensure compatible with the audit scope</li> <li>• Review and sign-off working papers and draft report</li> <li>• Supervision – 1:1</li> <li>• Completion of review check list</li> <li>• Completion of post audit de-brief</li> <li>• Review of customer feedback</li> <li>• Quarterly progress meetings with large clients County, ESPO, Fire and City reports completed for each client</li> <li>• Annual conflict of interest form &amp; assessment at each audit engagement</li> <li>• Assist HoIAS to follow up on HI recommendations and reporting to Committees</li> </ul>

Role	Responsibilities	Evidence (& actions required)
	<ul style="list-style-type: none"> <li>○ Ensure that appropriate controls and tests are used to deliver the expected assurance results</li> <li>○ Ensure the correct test score has been applied based on the evidence collated</li> <li>○ Ensure that findings, conclusions and recommendations are adequately supported by relevant, reliable and sufficient evidence</li> <li>○ Ensure that appropriate working papers have been prepared and maintained – with information gathered is adequately described and retained.</li> <li>○ That the evidence gathered identifies the cause and effect (impact) of the issues identified and their significance.</li> <li>○ Ensure that work identified in the planning stage has been completed</li> </ul> <p><b>Communicating results / report</b></p> <ul style="list-style-type: none"> <li>○ Ensuring that reports are accurate, objective, clear, concise and timely</li> <li>○ Obtain assurance that key findings have been sufficiently communicated to the client so no surprises at the closure meeting</li> <li>○ Review and sign off the draft report</li> <li>○ Ensure high importance recommendations are re-tested to ensure implementation</li> <li>○ For other recommendations ensure the Business Support Service is following up at the required time and gaining sufficient information to confirm implementation</li> </ul> <p><b>Performance</b></p> <ul style="list-style-type: none"> <li>○ Ensure that the work is achieved within the resource budget (time budgets and date span)</li> </ul>	<ul style="list-style-type: none"> <li>• Oversee Business Support Service follow up of audit recs</li> </ul>

Role	Responsibilities	Evidence (& actions required)
	<ul style="list-style-type: none"><li>○ Sign off Post Audit Debrief with individual auditor at the end of each audit engagement identifying opportunities for improvement at the audit and individual level</li></ul> <p><b>Monitor overall performance of team</b></p> <ul style="list-style-type: none"><li>○ Develop and maintain audit schedule for each client</li><li>○ Complete quarterly progress reports for each area of client responsibility</li><li>○ Undertake regular liaison meetings with clients</li></ul>	

## LCCIAS - Quality Assurance Improvement Programme – June 2023 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
<p><b>Auditors</b>  Behave at all times in accordance with the Code of Ethics / Code of Conduct.  Conduct all audit engagements in accordance with audit practice standards  Promote the standards and their use throughout the Internal Audit Activity  Commitment to delivering quality services</p>	<p>Take full responsibility for the sufficiency of audit procedures to find out what could be reasonably found by a prudent and informed auditor.</p> <p>Display due professional care in the performance of their responsibilities – maintaining</p> <ul style="list-style-type: none"> <li>○ Integrity</li> <li>○ Objectivity</li> <li>○ Confidentiality</li> <li>○ Competency</li> </ul> <p>All work conforms to written policies and practice notes, including: -</p> <p><b>Engagement Planning</b></p> <ul style="list-style-type: none"> <li>○ Ensuring right resources used</li> <li>○ Conduct (or be given by the Audit Manager) a preliminary assessment of the risks to the activity under review – identifying relevant information / potential significant issues</li> <li>○ Determine the audit approach and scope of the review to enable the objectives of the audit engagement to be achieved and an assurance opinion to be given on the governance, risk and control arrangements of the activity. Agree this approach and the audit work plan with Audit Manager</li> <li>○ Co-ordinate / correlate audit work with other sources of assurances</li> <li>○ Develop and agree Terms of Engagement client brief – clearly articulating the assurance we intend to provide – scope of our</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of relevant case management systems sections</li> <li>• Working papers <ul style="list-style-type: none"> <li>○ System notes – with linked relevant information</li> <li>○ Testing strategy / results</li> <li>○ Review</li> </ul> </li> <li>• Draft report</li> <li>• Post Audit De-Brief Document</li> <li>• Post Audit Questionnaire</li> <li>• Records of 1:1 and individual improvement actions</li> <li>• Performance appraisal including training and development plan</li> <li>• Completion of CPD where required</li> </ul>

Role	Responsibilities (& actions required)	Evidence (& actions required)
	<p>work and any limitations (what we are not going to review) – ensure the ToE meets client expectations</p> <ul style="list-style-type: none"> <li>○ Adhere to planning practice standards</li> </ul> <p><b>Fieldwork</b></p> <ul style="list-style-type: none"> <li>○ Adhere to working paper practice standards</li> <li>○ Ensure that sufficient and relevant work has been performed to substantiate findings and that the information has been effectively reported to the client on a timely and factual basis.</li> <li>○ Ensure that the steps identified in the audit plan and audit testing programme have been completed effectively</li> <li>○ Identify sufficient, reliable, relevant and useful information to achieve the engagement objectives</li> <li>○ Document relevant information to support testing results and the report</li> <li>○ Ensure that conclusions and results are based on appropriate analyses and evaluations - should be factual, adequate and convincing so that a prudent, informed person would reach the same conclusions of the auditor.</li> </ul> <p><b>Communicating results / report</b></p> <ul style="list-style-type: none"> <li>○ Adhere to reporting practice note</li> <li>○ Communicate significant findings during the audit so no surprises at the closure meeting discussing the draft report</li> <li>○ Draft audit report – meeting the engagement objectives and scope giving appropriate conclusions, recommendations and action plans. Provide an overall assurance opinion based on significance and importance of the finding / activity.</li> </ul>	



## LCCIAS - Quality Assurance Improvement Programme – June 2023 – Annex 4

Role	Responsibilities (& actions required)	Evidence (& actions required)
	<ul style="list-style-type: none"> <li>○ Ensure that reports are accurate, objective, clear, concise and timely</li> </ul> <p><b>Performance</b></p> <ul style="list-style-type: none"> <li>○ Audit engagement is delivered on time and within budget</li> <li>○ Post audit debrief (PAD) is completed for all audit engagements identifying what's gone well, lessons learnt and any opportunities for improvement</li> <li>○ Post Audit Questionnaire is completed for all audit engagements obtaining customer feedback</li> <li>○ Audit work plan developed and agreed with Audit Manager</li> </ul>	

Role	Responsibilities (& actions required)	Evidence (& actions required)
<p><b>External Suppliers</b></p> <p>Deliver agreed internal audit reviews</p>	<p>Developed and maintain Quality Assurance Improvement Programme</p> <p>Audit Process</p> <ul style="list-style-type: none"> <li>• Provide draft report and supporting working papers</li> <li>• Expected to follow our client engagement process and complete quality assurance documents</li> </ul>	<p>Confirmation that they conform to the PSIAS</p> <p>Complete:</p> <ul style="list-style-type: none"> <li>• planning document</li> <li>• Audit check list</li> <li>• Review check list</li> <li>• Obtain feedback - Post Audit Questionnaire</li> <li>• Post Audit Debrief</li> </ul>

### **Actions (due date) following review and revision of QAIP in June 2023**

1. Devise IA Strategy and issue along with DA strategy (**September 2023**)
2. Revise Charters to reflect remote working and PSIAS controls around counter fraud (**September 2023**)
3. Create an internal audit manual that adequately defines policy and procedures (**December 2023**)
4. Develop an assurance map (**ongoing**)
5. Conduct self-assessment against the CIPFA Statement on the role of the Head of Internal Audit in Local Government (**August 2023**)
6. Revise IAS performance framework in line with County corporate requirements (**ongoing**)
7. Develop more regular formal assessments of IAS quality and value with key stakeholders (**ongoing**)
8. Re-introduce formal training plans in APR process (**July 2023**)
9. Re-introduce HoIAS periodic second review of engagement records (**June 2023**)

Neil Jones, Head of Internal Audit & Assurance Service

28 June 2023

Declan Keegan, Director of Corporate Resources

28 June 2023

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## **Mid-Year update on the 2022/2023 National Fraud Initiative**

Governance and Audit Committee

Date of meeting: 19<sup>th</sup> July 2023

Lead director: Amy Oliver

Director of Finance

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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
- Report version number: Version 1

### 1. Summary

- 1.1 The purpose of this report is to provide an update to the Governance and Audit Committee on the National Fraud Initiative (NFI) exercises currently underway.

### 2. Recommended actions/decision

- 2.1 The Governance and Audit Committee is asked to note the contents of the report and make any comments it deems appropriate.

### 3. Background

- 3.1 There are two separate NFI exercises in which the Authority participates. One involves data matching with external organisations, including other councils and the second involves matching data held within the Council.
- 3.2 Data for the 2022/23 external NFI exercise was submitted to the Cabinet Office in October 2022 and data was available for checking from 29<sup>th</sup> January 2023.

### 4. Detailed report

- 4.1 The Council has participated in the National Fraud Initiative since it was introduced. The exercise has evolved over the years and is now web based and managed by the Cabinet Office. The project involves electronically matching data from numerous sources in order to identify possible fraud or irregularity. This exercise is undertaken every two years.
- 4.2 The Cabinet Office identifies matches and allocates a risk score from 100% on a decreasing order. Officers are expected to examine the high risk matches first on a descending basis. There is no requirement to examine all the remaining matches and officers are encouraged to select a sample where there are large volumes of data for checking.

#### 4.3 Examples of the different matches include:

- Housing Benefit Claimants who are tenants at a different address.
- Housing Benefit claimants who are not entitled to claim because they are in receipt of Student Loans.
- Blue Badge Parking Permits, Concessionary Travel passes and Private Residential Care Home residents where the individual is recorded as deceased on the Disclosure of Death Registration Information (DDRI) or Department for Work and Pensions (DWP) list of deceased persons.
- Duplicate creditors or duplicate payments to creditors.
- Housing Benefit claimants who also appear on a local authority payroll.
- Council Tax Reduction Scheme to payroll.

4.4 All benefit fraud is investigated by the DWP, however the Cabinet Office still require the authority to undertake an initial check of the Housing Benefit claims before passing the matches to the DWP to investigate.

4.5 Work on the 2022-23 matches is well underway. Over 3,000 matches have been checked to date, with no frauds identified. There have been 2 instances of duplicate payments to suppliers totaling £189,000 which have already been recovered in full. The progress is summarised in the table:

#### **Matches undertaken by 21<sup>st</sup> June 2023**

Total Matches	Matches Checked	Errors Identified	Frauds Identified	Overpayments Identified
10,560	3,823	2	Nil	£189,000

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

### **5.1 Financial implications**

There are no direct financial implications arising from this report. However, the initiatives described in this report are intended to detect fraud (which is an offence of a financial nature) and error, which cause significant financial loss to the Council.

Colin Sharpe  
Deputy Director of Finance

## 5.2 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

## 5.3 Equalities implications

The report provides an update on the National Fraud Initiative (NFI) exercises currently underway. The NFI, conducted by the Cabinet Office, involves data matching to help in the prevention and detection of fraud.

There are no direct equality implications arising from the report.

The data matching can identify inconsistencies that require further investigation and allows potentially fraudulent claims and payments to be identified. No assumption can be made as to whether there is fraud, error or another explanation until the investigation process is completed. Fraud against the public sector can compromise public services and damage trust in government. Finding ways to help safeguard public funds through fraud prevention and detection programs like the NFI are important for protecting vital public services.

Equalities Officer, Surinder Singh, Ext 37 4148

## 5.4 Climate Emergency implications

This report does not contain any significant climate emergency implications.

Duncan Bell  
Climate Change Manager

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

OTHER IMPLICATIONS	YES/NO	Paragraph references within the report
Equal Opportunities	<b>No</b>	
Policy	<b>No</b>	
Sustainable and Environmental	<b>No</b>	
Crime and Disorder	<b>Yes</b>	Whole report
Human Rights Act	<b>No</b>	
Elderly/People on Low Income	<b>No</b>	
Corporate Parenting	<b>No</b>	
Health Inequalities Impact	<b>No</b>	
Risk Management	<b>Yes</b>	This report is concerned with the prevention, detection and sanctioning of fraud. Fraud is one of the risks faced by the Council

**6. Background information and other papers:**

None – Information on the National Fraud Initiative is available at <https://www.gov.uk/government/collections/national-fraud-initiative>

**7. 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**

**8. Is this a “key decision”?**

**No**





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## **Equal Pay Audit 2022**

Governance and Audit Committee – 19<sup>th</sup> July 2023

Lead director: Miranda Cannon, Director of Delivery,  
Communication and Political Governance

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## Useful information

- Ward(s) affected: All
- Report authors: Craig Picknell, Head of Human Resources
- Author contact details: [craig.picknell@leicester.gov.uk](mailto:craig.picknell@leicester.gov.uk) ext. 0116 454 2007
- Report version number: 1

### 1 Summary

- 1.1 This report provides an overview of the outcomes of our recent Equality Pay Audit conducted in May 2022 by an independent specialist, Project HR (Reward Consultants).
- 1.2 The audit observed that “it is uncommon to carry out an equal pay analysis of base pay by gender and have few outcomes for further investigation. The findings pay credit to a well-constructed pay and grading structure and effective management of the Council’s pay policies. The Audit report overall concluded that we have robust provisions, criteria and practices within the organisation that prevent unequal pay.
- 1.3 A small number of recommendations were made to further investigate potential anomalies to ensure equality in pay remained.

### 2 Recommendations

- 2.1 The Governance and Audit Committee are asked to note and make comment on the report.

### 3 Background Information

- 3.1 As part of our commitments to equal pay within Leicester City Council we commit to undertake equal pay review audits periodically to determine whether there are any significant average differences in base pay within the protected characteristics (age, disability, ethnicity, marital status, religion or belief and sex).
- 3.2 The purpose of an equal pay review is to identify possible provisions, criteria or practices within an organisation that may be causing unequal pay; it is not to identify individual employees.
- 3.3 This equal pay review covers the pay arrangements for Local Government Services (LGS) employees, including those based in community and voluntary controlled schools and voluntary aided and foundation schools. Also included in scope are Chief Officers, employees on Soulbury terms and conditions, employees on Youth terms and conditions and FE Tutors.
- 3.4 We provided the data in February 2022 based on a snapshot of employees on 31 August 2021 which included 12 months of additional payments and allowances. The data included base salary and the protected characteristics of sex, age, disability, ethnicity, marital status and religion or belief. The analyses of base pay are based on all employees described in paragraph 3.3 in post in August 2021. Employees may have changed job or working arrangements or left the Council since the data was submitted.
- 3.5 The audit focused on the following areas.
  - LCC’s Job Evaluation Scheme

- Pay Structure and Pay Progression
- Analysis of base pay (age, disability, ethnicity, marital status, religion or belief and sex).
- Review of additional payments

## **4 Findings of the Report**

### **LCC's Job Evaluation Scheme**

- 4.1** Job evaluation is a means of establishing a robust and defensible rank order of jobs within an organisation. It measures the relative worth of jobs.
- 4.2** An analytical points-factor based job evaluation scheme provides LCC with the cornerstone for equal pay defence. Without such a scheme we cannot objectively justify grading structures and rates of pay.
- 4.3** The audit sought to review two key elements. Firstly, that LCC's scheme is appropriate for the range of jobs in the organisation. Secondly, the process used to evaluate jobs is fair, consistent and non-discriminatory.
- 4.4** LCC uses the Greater London Provincial Council (GLPC) job evaluation scheme for jobs below senior managers. This is a well-established and 'tried and tested' job evaluation scheme that is widely used in the public sector, particularly by most of the London Borough Councils.
- 4.5** The audit found the following.
- The JE scheme used by the Council and the method of operation should provide reliable and consistent job evaluation results.

### **Pay Structure and Pay Progression**

- 4.6** The purpose of analysing the Council's pay structure is to examine it for robustness in relation to equality and equal pay.
- 4.7** The Council generally operates one pay structure for the employees in scope of this equal pay review.
- 4.8** There is no grade overlap within the pay structure. This eliminates the risk of claims for equal pay for work of equal value caused by overlapping grades.
- 4.9** All employees were paid within the evaluated pay grade for the job.
- 4.10** Pay progression is by annual, time-served increments only, subject to satisfactory performance
- 4.11** The Council does provide for accelerated increments in exceptional circumstances where, for example, market supplements are justified however, the application of this was not investigated as part of this review.
- 4.12** The audit found the following.
- The Council generally operates one pay structure for all LGS employees. The grades are evenly constructed, there are three or fewer increments to a grade, and there is no grade overlap providing for a robust structure
  - There are no concerns with the construction of the pay structure.

### **Analysis of Base Pay - Introduction**

- 4.13** This section of the report contains an assessment of the Council's base pay arrangement on the protected characteristics of sex, age, disability, ethnicity, marital status and religion or belief.
- 4.14** The purpose of the analyses is to determine whether there are significant average differences in base pay between men and women, within different ethnicity categories, age groups and categories of disability, marital status and religion or belief.

- 4.15** The analyses do not include any additions to base pay, such as an honoraria payment, market supplement, unsociable hours payments, etc. It should be noted however that there are tight governance arrangements around each of these potential additions to base pay to ensure fair and consistent use and application.
- 4.16** Any differences in pay of 5% or more or patterns of differences of 3% or more will require investigation and explanation.

### **Analysis of Base Pay – Audit Findings**

- 4.17** When exploring Base Pay in relation to Gender, Age, Disability, Ethnicity, Marital Status and Religion and Belief the audit didn't find any significant areas of concern.
- 4.18** The audit found that most significant differences in pay across the groups could be accounted to the normal operation of our time-served incremental pay structure.
- 4.19** It identified a small number of irregularities that required further investigation. Most of these have been investigated and we are satisfied they can be clearly explained and that no action is required.
- 4.20** There was one recommendation that came out of this section of the audit. This was from within the analysis of Base Pay by Disability which identified that a small number of interrelated posts within Education should be separated out although the report notes this is a "minor housekeeping issue".
- 4.21** A full summary of findings and recommendations in relation to Base Pay can be found in Appendix A.

### **Analysis of Additional Payments – Introduction**

- 4.22** This section of the report contains an analysis of a range of additional payments by the protected characteristic 'gender'
- 4.23** The purpose of the analysis is firstly to identify where payments are made proportionately to both genders or disproportionately to one gender. It explores in more detail any average differences in pay which are 3% or more.
- 4.24** The Council spent £6.9m on the additional payments included in the review.

### **Analysis of Additional Payments – Audit Findings**

- 4.25** The analysis shows that the distribution of this cost was 62% to women and 38 % to men, which varies from the Council's gender profile of 70% women and 30% men.
- 4.26** This analysis identified that men were disproportionately receiving more additional payments than women in comparison to the Council's gender profile. This is most likely to be caused by occupational segregation, i.e., men occupying more roles than women which attract additional payments.
- 4.27** The analysis identified:
- No additional payments that were paid proportionately to women and men when compared to the gender profile
  - 1 additional payment that was paid slightly disproportionately to more women than men when compared to the gender profile
  - 9 additional payments that were paid disproportionately more to one gender compared to the other when compared to the gender profile (1 was paid disproportionately to more women than men and 8 were paid disproportionately more to men than women).
- 4.28** Each allowance has been examined in further detail. Where the payment of an additional payment was paid disproportionately more to one gender, further analysis has been carried out to determine job type, grade and area of the business to ascertain

- whether there may have been an underlying policy, practice or criterion that is resulting in one group of employees being treated differently.
- 4.29** Appendix B provides a summary of the findings and outlines any recommendations made by the auditor.

### **Conclusion**

- 4.30** In conclusion the Equal Pay audit demonstrates that overall, we have a robust scheme that is supported through effective Policy and Procedures.
- 4.31** There are several lines of enquiry that have been identified through the audit and we continue to review these in line with our overall policies and procedures to ensure equity in their application.
- 4.32** We will be feeding back to the auditor on our findings in August 2023 with another periodic Pay audit scheduled for April 2024 covering financial year 2022 – 2023.

## **5 Details of scrutiny**

- 5.1** The report and action plans have been to CMT

## **6 Financial, legal, equalities, climate emergency and other implications**

### **6.1 Financial implications**

There are no financial implications arising directly from this report. However, a robust pay and grading scheme minimises the risk of costly equal pay claims. – Colin Sharpe, Deputy Director of Finance, ext. 37 4081.

## **6.2 Legal implications**

The Single Status Agreement (SSA) required all local authorities to implement a job evaluation scheme (JES) with the purpose of preventing inequality of pay. The current JES used by LCC was implemented in compliance with the SSA.

The Equality Act 2010 (EA) operates to ensure that there is no inequality in terms based on sex. Where there is any such inequality, affected employees will be able to pursue an equal pay claim which, if successful, would put them in the position they would have been in had they been in receipt of equal pay. Where there is inequality of pay by reference to sex a claim will be successful unless an employer can establish a material factor defence.

A robust JES will operate to ensure that there is no inequality of pay based on sex. There are, however, circumstances where it may be necessary to depart from the strict terms of a JES. For example, market supplements to address recruitment and retention issues may produce inequality in pay but this is a recognised material factor defence where there is evidence to support it.

In addition to the above, the EA provides that a provision, criterion or practice is indirectly discriminatory where it would place those who share a protected characteristic at a particular disadvantage when compared to those who do not share it. If therefore there is inequality of pay between those who share a protected characteristic and those who do not, it will potentially be indirectly discriminatory. Indirect discrimination is unlawful unless it can be objectively justified.

As above, a robust JES will ensure that there is no inequality in terms. Any departure from it may be objectively justified where there is evidence to support it such as market supplements.

Paul Holmes  
Head of Law (Employment, Education and Litigation)

## **6.3 Climate change and carbon reduction implications**

There are no significant climate emergency implications directly associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

## **6.4 Equalities implications**

The Equality Act gives a right to equal pay for equal work. By law, employers must not pay an employee less, or give them terms and conditions that put them at a disadvantage, because of their disability, race, religion, sexual orientation or another protected characteristic. Employers are responsible for providing equal pay and for ensuring that the pay systems are transparent. The Equality and Human Rights Commission code of practice recommends equal pay reviews as the most appropriate method of ensuring that a pay system delivers equal pay free from discrimination.

The purpose of analysing the Council's pay structure is to examine it for robustness in relation to equality and equal pay. The report provides an overview of the outcomes of the Equality Pay Audit conducted in May 2022 by an independent specialist.

An Equal Pay Audit involves the specific comparison of pay investigating the causes of gaps by gender, ethnicity, disability or working pattern and planning to close any gaps that cannot be justified on grounds other than one of those characteristics. There are a number of benefits of conducting an equal pay audit, it can help to identify inequalities and supports rational, fair and transparent pay arrangements. Demonstrating the Council's values to external stakeholders and supports it to meet the public sector equality duty. The Council is committed to work life balance and provides a wide range of flexible working opportunities as a means to support, develop and retain employees at work

Overall, the audit showed the council to have a robust scheme that is supported through effective Policy and Procedures. Further investigation is being undertaken in relation to lines of enquiry identified to ensure that there is no exacerbated disparity in terms of pay arising from a protected characteristic.

Equalities Officer, Surinder Singh, Ext 37 4148

## **7 Background information and other papers**

Appendix A – Summary of findings and recommendations for the base pay analysis

Appendix B – Summary of findings and recommendations for the additional payment





## **Appendix A - Summary of findings and recommendations for base pay analysis**

<b>Job evaluation</b>
<p>The JE scheme used by the Council and the method of operation should provide reliable and consistent job evaluation results</p> <p>There are no recommendations concerning the current process for job evaluation.</p>
<b>Pay structure and pay progression</b>
<p>The Council operates one pay structure for all LGS employees. The grades are evenly constructed, there are less than six increments to a grade, and there is no grade overlap providing for a robust structure.</p> <p>There are no recommendations concerning the current pay structure.</p>
<b>Base pay analysis by gender</b>
<p>The base pay analysis by gender and grade did not identify any significant differences between the average base pay for women and men within the pay Grades that could not be explained by the normal operation of a time-served incremental pay structure. There is one instance that requires further investigation.</p> <p>There are no recommendations arising from this analysis.</p>
<b>Base pay analysis by age</b>
<p>The base pay analysis by age found several instances of differences in pay between different age groups. This is quite common in this type of analysis with, generally, younger employees being paid less than older employees. This is due to length of service – older employees have had more time to progress through a grade and as such are paid higher when using incremental progression. Apart from a few isolated instances that require further investigation there are no concerns with the pay structure based on age and such there are no recommendations.</p>
<b>Base pay analysis by Disability</b>
<p>The base pay analysis by disability no significant differences in pay between different. The only differences found were because jobs of different sizes have been placed into the same grade. This happened with SOULADVIS, Senior &amp; Principal Educational Psychologists and FE Tutors.</p> <p><b>It is recommended that jobs are separated into different grades where appropriate. However, this is minor 'housekeeping' issue.</b></p> <p>There are no concerns with the pay structure based on disability and such there are no recommendations.</p>

<b>Base pay analysis by Ethnicity</b>
<p>The base pay analysis by ethnicity status did not identify any significant differences that could not be explained by the normal operation of a time-served incremental pay structure. There are two instances that requires further investigation.</p> <p>There are no recommendations arising from this analysis.</p>
<b>Base pay analysis by Marital &amp; Civil Partnership</b>
<p>The base pay analysis by marital and civil partnership status did not identify any significant differences that could not be explained by the normal operation of a time-served incremental pay structure. There is one instance that requires further investigation.</p> <p>There are no recommendations arising from this analysis.</p>
<b>Base pay analysis by Religion or Belief</b>
<p>The base pay analysis by religion or belief status did not identify any significant differences that could not be explained by the normal operation of a time-served incremental pay structure. There are a few instances that requires further investigation, where it appears employees were appointed above the grade minimum.</p> <p>There are no recommendations arising from this analysis.</p>

## **Appendix B - Summary of findings and recommendations for additional payments**

### **Honoraria**

#### Overview of Honoraria Payments

Honoraria is a payment that is paid when an employee undertakes additional duties that is valued at a higher grade to that of their substantive post.

All Honoraria requests must be approved by the Pay Panel. For all honoraria requests for more than 1 grade, a Job Evaluation Analyst must review the request to determine an appropriate grade within our JE Scheme.

Occasionally Honoraria payments may be backdated if there is clear evidence the additional duties have been carried out for a period prior to the request. Honoraria should be reviewed routinely and should, ordinarily, last for no more than 6 months.

Honoraria could be used across all occupation areas.

#### Findings/Recommendations from the Audit

Honoraria payments are usually paid according to criteria detailed in an honoraria policy.

The Council is advised to review the high honoraria values to ensure that they met the agreed criteria.

Sometimes organisations use honoraria as a form of market supplement or acting up payment. Again, the Council is advised to review honoraria payments to ensure they meet agreed criteria.

**As some of the payments are large and they are disproportionate to the gender profile of the council this is considered high risk.**

#### Initial Observations/Feedback

The high payments described are because of back payments on honoraria payments. This gave the audit the view of inflated payments. We continue to review the appropriate application of honoraria's across the organisation including the analysis of occupational types to determine the disproportionate gender split of payments in relation to our profile.

### **TLR Payments**

#### Overview of TLR Payments

TLR Payments are payments that reward additional leadership and management responsibilities undertaken by classroom teachers.

The administration and determination of TLR payments is governed by the school leadership and does not fall under the LA's responsibility. It is up to each school to evidence the appropriate application of TLR payments.

This is a payment that is paid in Schools only and like the authority has an over representation of woman when comparing to the city profile.

#### Findings/Recommendations from the Audit

Five employees received this payment, which was paid disproportionately more to women than men compared to the gender profile. The payment was made to Lecturers and Teaching Assistants.

It is unclear why these employees would be eligible for the payment. For this reason, these payments have been highlighted as high risk.

**It is recommended that the Council further investigates the reasons why these employees received this allowance and to review the policy.**

#### Initial Observations/Feedback

We have no control over schools deciding to award this payment. We have written to Schools of those making the payment to ensure they have a clear audit trail of the payments being made and the justification, highlighting the potential risk as identified in this audit.

### **Overtime**

#### Overview of Overtime Payments

Overtime is a pay mechanism that can be applied when an employee needs to work additional hours over and above their contracted hours. Overtime is paid at Plain Time and then Time and a Third for hours claimed at the weekend of between 00:00 and 06:00.

Overtime authorisation is paid at the discretion of the line manager and hours should be approved ahead of them being worked. For those over Grade 7, overtime should not be claimed, and TOIL taken instead (unless there is an approved business case).

#### Findings/Recommendations from the Audit

There are 63 employees who received, on average, 11 hours or more per week (based on time and half) and 14 of these had total weekly hours that exceeded 48.

**It is recommended that overtime payments are investigated further to determine the reason for the high values. As the number of very large payments is small by comparison to the total and the payments are made proportionately between men and women the risk is considered medium.**

#### Initial Observations/Feedback

We are aware of significant reliance on overtime in certain areas, especially front facing services where on-call and shift work are the norm. We have implemented new procedures (including reinforcing the banning of overtime for Grade 7+ without a business case) and are working collaboratively with services that have a high reliance on overtime in identifying ways of reducing this.

### **Market Supplements**

#### Overview of Market Pay Supplements

The payment of market pay supplements is awarded when we can clearly evidence that the external market conditions create a level of pay that is higher than what is awarded through our JE scheme.

We have a Market Pay panel that consists of HR, Legal and Finance Officers who scrutinise and challenge each business case. An award is made for a period of 12 months and subsequently reviewed at this point.

Market Pay is not restricted to a particular occupational area but is more likely to be awarded within occupation's that are highlight sought after across both the private and public sectors.

#### Findings/Recommendations from the Audit

The number of market supplements has significantly reduced since the previous equal pay audit from 125 people to 42. The mix of employees has also changed. The values have also reduced in range. This

demonstrates that the Council is actively reviewing market supplements. Market supplements should be reviewed regularly and changed and/or removed as circumstances in the external market change.

There are no concerns with this payment and therefore no recommendations

#### Initial Observations/Feedback

This is an area of pay that we scrutinise highly and is difficult to be awarded. It is pleasing that this level of scrutiny is reflected in the findings from the audit that observe the reducing number of awards and identifying no areas of concern.

### **Standby Payments**

#### Overview of Standby Payments

Standby Payments are paid to staff required to be on call outs outside of their normal working hours. The standby payment is a fixed amount as described in our terms and conditions.

Standby payments occur most frequently in Housing which are largely male dominated and less frequently in some of our Children Homes which are female dominated.

#### Findings/Recommendations from the Audit

Minimum and average values are similar but there is a significant difference in the maximum values with male maximum being around double the female value. Particularly high values have been highlighted.

It may be concluded that men have greater opportunity to have access to standby due to the type and nature of jobs (occupational segregation).

As long as the Council applies the criteria for standby payments consistently and fairly, the level of risk for this payment is considered to be low.

**It is recommended that the Council reviews standby payments to ensure that opportunities to carry out standby are equally available to both men and women.**

#### Initial Observations/Feedback

As the audit has concluded the largest payments are received by men because of the frequency of overtime in the occupations that are male dominated. We are confident that our standby payments are consistently and fairly applied.

### **Enhancements**

#### Overview of Enhancements

Enhancements are paid at a 1/3 of the hourly rate for rota's work conducted on Saturday, Sunday, Bank Holidays and night working between midnight and 06:00am.

#### Findings/Recommendations from the Audit

The table shows that minimum and average values are similar but there is a significant difference in the maximum values with male maximum being around four times the female value. Particularly high values have been highlighted.

There are 42 employees who received more than £4,000. There are six employees who received more than £10,000, with one employee receiving over £40,000.

Generally, the risk level with enhancements will be low as there are criteria for payment. However, this has been considered medium risk because of the very high payments.

**It is recommended that the Council reviews the high enhancement values to determine why these employees have been paid so much under this heading.**

#### Initial Observations/Feedback

The payments of enhancements is a contractual right tied into terms and conditions. Services that are required to work weekends and nights must pay the enhancement. This work is on a rota basis so should be applied equally across all staff in scope. This report has highlighted significant payments to certain staff which are being explored with the service area.

#### **Sleeping in Payments**

##### Overview of Sleeping in Payments

Sleeping in Payments are paid to staff required to sleep in whilst not working and be able to respond to call outs when required.

The amount if the payment is defined in our terms and conditions and the profile is impacted by the occupational profile. Within LCC this is used mostly with Social Care and Education within Children's homes.

##### Findings/Recommendations from the Audit

78 employees received this payment, which was paid disproportionately more to men than women compared to the gender profile. The lowest payment was a few pounds and the highest was just over £4,000.

63 employees were based in Social Care and Education, 14 in City Development & Neighbourhood and one in Public Health & Sport Services.

**Sleeping in payments are based on criteria and are set amount for specific period of time.  
The level of risk for this payment is considered to be low.**

#### Initial Observations/Feedback

We are content that this practice presented little risk and has adequate governance.

#### **Extra Duty Payment**

34 employees received this payment, which was paid disproportionately to more men than women. The payment was mainly made to employees from City Development & Neighbourhoods but there were some from schools, Social Care & Education and Public Health. The lowest payment was £15 and the highest payment was £2,850. The payment was made to employees within grades Grade 02 to 11.

As the payment is made based on applied criteria there are no concerns with this payment and it has been assessed as low risk.

#### **First Aider**

##### Overview of First Aider Payments

First aid payments are paid to employees that volunteer to be a registered first aid for the purpose of ensuring staff across our sites have a trained first aider in the occasion they would be needed. They are volunteers and receive the payment for the time they are on the list of first aid trained staff.

Findings/Recommendations from the Audit

155 employees received this payment, which was paid disproportionately to more men than women compared to the gender profile. Employees in a wide range of jobs across the Council received this payment.

**Overall, the risk of this payment is low as employees volunteer to become first aiders. However, the Council is advised to undertake further investigation to determine why some employees receive more than the standard allowance.**

Initial Observations/Feedback

We are content that this practice presented little risk. We are currently reviewing the practice around First Aiders in light of agile working.

**Protected Earnings**

Overview of Protected Earning Payments

Protected earnings are paid to staff that because of an organisational review find themselves in a job of a lower grade than their substantive post. It is paid for a period of 2 years and protects for a reduction in up to 2 grades.

Findings/Recommendations from the Audit

47 employees received this payment (greater than £0 – some records were ‘minus’ figures), which was paid disproportionately to more men than women compared to the gender profile. Employees in a limited range of jobs received this payment. Notably, Leisure Centre Supervisors, Personal Advisors – Connexions and Quality Assurance Officer made up most of those on protection.

The lowest grade to receive the payment was Grade 02, the highest was Grade 11 and the grade with the most jobs in receipt of the payment was Grade 06.

There is no concern with this payment and therefore there are no recommendations. The level of risk for this payment is considered to be low.

Initial Observations/Feedback

We are content that this practice presented little risk and has good governance around it.

