



Audit and Standards Committee

To the Audit and Standards on Thursday, 18 April 2024

Date of meeting: Wednesday, 24 April 2024

Time: 18:30 Please note start time.

Venue: Harborough Innovation Centre

**Harborough Innovation Centre, Wellington Way, Airfield
Business Park, Market Harborough, LE16 7WB**

Members of the public can access a live broadcast of the meeting from the [Council website](#), and the meeting webpage. The meeting will also be open to the public.

Agenda

- 9 Approval of the 2022/23 Annual Governance Statement and the 3 - 182
Annual Financial Report**

**JOHN RICHARDSON
CHIEF EXECUTIVE AND HEAD OF PAID SERVICE
HARBOROUGH DISTRICT COUNCIL**

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Harborough District Council



Report to Audit & Standards Committee Meeting of 24 April 2024

Title:	Approval of the 2022/23 Annual Governance Statement and the Annual Financial Report
Status:	Public
Key Decision:	No
Report Author:	Covering Report: Clive Mason; Director of Resources (& s.151 Officer) Appendix 1 and 2: Mark Surridge; Director and Key Audit Partner, Mazars LLP Appendix 3 to 5: Clive Mason; Director of Resources (& s.151 Officer) and Carolyn Bland; Head of Financial Services (& Deputy s. 151 Officer)
Lead Councillor:	Not applicable
Appendices:	<ol style="list-style-type: none">1. Council's Value for Money Arrangements2. Audit Completion Report.3. Annual Governance Statement.4. Letter of Representation.5. Annual Financial Report

Summary

- i. The Council published the 2022/23 Annual Governance Statement (AGS) and Annual Financial Report (AFR) by the statutory deadline of 31 May 2023.
- ii. The external auditors have conducted their audit over the following months and have now issued their Commentary on the Council's VFM Arrangements Report (VFM) and the Annual Completion Report (ACR).
- iii. The delay in finalisation of the audit has primarily been due to a number of technical matters (infrastructure and pensions accounting).
- iv. The Pension Fund Auditor provided their assurance letter on 1 March 2024 and the Council's external auditors work is substantially complete. This means that at the date of reporting to committee the auditors expect to conclude the audit in April and are anticipating issuing an unqualified opinion, without modification, on the financial statements in due course. In these situations, which are not uncommon in local government, the committee is being asked to agree a delegation to the Chairman of Audit & Standards Committee and the Director of Resources (& s.151 Officer) to sign the accounts when the auditor has confirmed

that all matters are completed. All members of the committee will be informed when the auditor issues their unqualified opinion prior to signing by the respective Chairman and s.151 Officer.

Recommendations

That members:

1. Receive the External Auditors Commentary on the Council's VFM Arrangements Report, and comment as they consider necessary(**Appendix 1**),
2. Receive the External Auditors Audit Completion Report, and comment as they consider necessary (**Appendix 2**).
3. Receive the 2022/23 Annual Governance Statement, duly signed by the Leader of the Council (as at the 31 March 2023) and Deputy Chief Executive (**Appendix 3**).
4. Note the Draft Letter of Representation (**Appendix 4**) as authorised by the Director of Resources (& s.151 Officer).
5. Approve the 2022/23 Annual Financial Report (AFR, **Appendix 5**) and give delegated powers to the Chairman of the Audit and Standards Committee and Director of Resources (& s.151 Officer) to authorise and sign the AFR on behalf of the Council subject to the auditors confirming an unqualified opinion on the AFR.

Reasons for Recommendations

- v. It is a statutory requirement that the Council approves the 2022/23 AGS and AFR.

1. Purpose of Report

1.1 To consider the external auditors:

- VFM report and,
- their ACR reports, in respect of the AGS and AFR and then accept the AGS and approve the AFR.

2. Background

2.1 The Audit and Standards Committee (ASC) is designated as “those charged with governance” and consequently, as part of the annual governance process, the committee is required to receive the Councils 2022/23 AGS, the external auditors VFM report and approve the 2022/23 AFR following consideration of the external auditors ACR. To do this, the Committee needs to follow recommendations (1) to (4) in that order.

2.2 In respect of:

- i. **Value for Money**; for external auditors report is now received.
- ii. **Approval deadlines for the AGS and AFR**; For 2022/23, as per the [Accounts and Audit \(Amendment\) Regulations 2022](#), the regulations required publication by 31 May

2023. It should be noted that the Council approved and published its accounts by this deadline.

- iii. **The statutory audit**; there were some delays in the completion of the audit due to the following reasons:
- a) the audit of the Leicestershire Local Government Pension Fund, with the required assurance letter being provided on 1 March 2024.
 - b) “national” instructions in respect of the clarification of accounting and practices in respect of infrastructure assets leading to a change in the accounting code of practice,
 - c) a technical audit challenge by another audit firm that has had a “national” audit implication in respect of the retrospective impact of the 2023/24 triennial pension valuation for sets of accounts open for 2021/22 – which therefore had a consequence on considering opening balances for 2022/23.
- iv. Public Inspection (public rights); the unaudited accounts were open for the 10-day public inspection period from the 1st June to 14th June 2023.

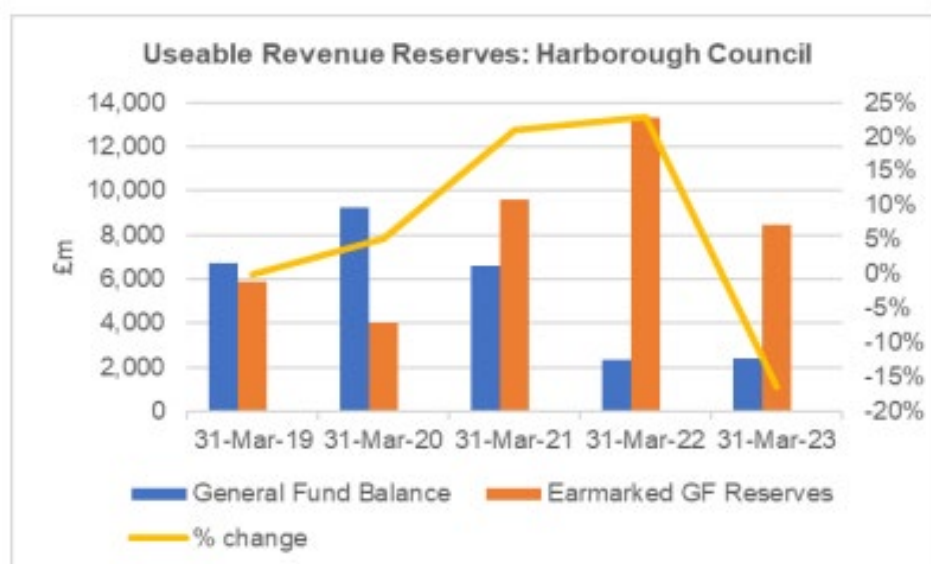
3. Details

Receiving the “Commentary on the Council’s VFM arrangements”

- 3.1 The external auditors are required to consider the Councils arrangements in respect of securing economy, efficiency and effectiveness in its use of resources and report accordingly (**Appendix 1**). The National Audit Office requires that external auditors consider three areas relating to Value to Money; namely Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness. In respect of these three areas, as shown in the table on page 4 of the report, none have any issues relating to:
- Identified risks of significant weakness,
 - Actual significant weaknesses identified, and
 - Other recommendations made.
- 3.2 Members should note that the commentary within the VFM report is for the 12-months leading up to March 2023 – which is itself well a year ago. In [February 2022](#), Full Council set a balanced budget for 2022/23 and a financially sustainable budget for the subsequent four years of the MTFS; with similar “good budget and financial governance” being repeated in [February 2023](#) in preparation for financial year 2023/24. During 2023/24, there were however some notable changes at the Council including a new administration and the appointment of a Chief Executive. Since then, in [February 2024 Full Council](#) froze Council Tax and approved a balanced budget over the medium-term. This demonstrates the Councils commitment to good financial and budgetary governance. The VFM commentary for 2023/24 will be provided by the Councils new external auditor, Grant Thornton, when they review the 2023/24 Statement of Accounts.

3.3 In respect of the VFM report at **Appendix 1**, members attention is drawn to the series of graphs shown on page 7 that address issues relating to the Councils General Fund Un-ringfenced Reserves. In respect of the line graph (copied below). on the face of it this shows what looks like a significant reduction in the “General Fund Balance” (the blue column). Members will recall that at the [Cabinet meeting of the 30 November 2020](#) a Reserves Strategy was approved, and this has been approved each year since; [the last iteration being at Full Council in February 2024](#). A Reserves Strategy is best practice, and each local authority should have one. From April 2021, the Reserves Strategy introduced two significant changes to the treatment of general reserves compared to preceding years:

- Prior to April 2021, there was no set threshold for the General Fund (Unallocated) Balance. From April 2021, this was set at 20% of Net Expenditure. Members will recall that for each year of both the 2023/24 and 2024/25 Budgets & MTFs this threshold has been maintained. This is shown in the graph below by the reduction in the blue column between the financial years ending 31 March 2021 and 31 March 2022. The aim of this Unallocated Balance is to provide “last resort-contingency” funds so the Council can continue to deliver services if it was facing an emergency event (i.e. another Pandemic).
- By introducing the 20% of Net Expenditure threshold, this increased the amount allocated to Earmarked Reserves; this is shown in the graph below by the increase in the orange column between the financial years ending 31 March 2021 and 31 March 2022. This aim of this reallocation to Earmarked Reserves was to increase resource availability to members which enables them to increase their choices in investing in their communities.



Receiving the Audit Completion Report

3.4 The Audit Completion Report (ACR, **Appendix 2**, Section 1) shows to members that the external auditor is anticipating issuing an **unqualified opinion** in respect of the accounts (*this opinion is subject to no changes occurring between the drafting of this report and the holding of this meeting. The external auditor will confirm at this meeting if their opinion has changed and if so, why?*)

3.5 In respect of:

3.5.1 **significant findings** (ACR, Section 4) details the risk areas, issues raised and the action proposed by management. **Table 1** below summaries the risk areas where an action is proposed by management; the other areas not mentioned are because there are no required actions by management.



AFR 2022/23 Significant Risks and Findings by External Audit and Actions Proposed by Management				Table 1
Significant Risk Area	Description of Risk	Issue (Finding)	Actions Proposed by Management	
Management override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits	We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. No issues have been identified that need to be brought to the attention of Members.	None required.	
Valuation of the net defined benefit liability	The defined benefit liability relating to the Local Government Pension Scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary for the scheme to provide an annual	We addressed the risk by: assessing the competency, objectivity, and independence of the Actuary at the Pension Scheme; • liaising with the auditors of the Leicestershire Pension Fund to gain assurance over the design and implementation of controls in place at the Leicestershire Pension Fund. This included the processes and controls in	None required.	

AFR 2022/23 Significant Risks and Findings by External Audit and Actions Proposed by Management				Table 1
Significant Risk Area	Description of Risk	Issue (Finding)	Actions Proposed by Management	
	valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	<ul style="list-style-type: none"> place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation was complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary (as applicable), and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation reports provided by the Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. 		
Valuation of property, plant and equipment	Property related assets are a significant balance on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.	<p>We addressed the risk by:</p> <ul style="list-style-type: none"> critically assessing the scope of work, qualifications, objectivity, and independence of the Council's valuers to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by considering valuation trends; performing tests of details on a sample of assets revalued in year; 	A variance between the valuers report and the statement of accounts has been identified. Further details are discussed at para 3.5.	

AFR 2022/23 Significant Risks and Findings by External Audit and Actions Proposed by Management				Table 1
Significant Risk Area	Description of Risk	Issue (Finding)	Actions Proposed by Management	
		<ul style="list-style-type: none"> critically assessing the approach that the Council has adopted to ensure that assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers; and considering engaging our own valuation expert to support our work 		
Other significant findings	Reviewed of the Council's accounting policies and disclosures.	Accounting policies comply with the 2022/213 Code of Practice on Local Authority Accounting. The draft accounts received by the auditors were of good quality.	None required.	
	Significant matters discussed with management	<p>During the audit, the following significant matters were discussed with management:</p> <ul style="list-style-type: none"> The Council's financial position, including development of the medium-term financial plan. Impact of ISA 315¹; The approach used to calculate the expected credit loss and noted that as a blended approach is used it is not fully in line with IFRS9². This is line with the approach we have seen taken by a number of other 	None required.	

¹ **ISA 315**; (International Standard of Auditing 315) - Identifying and Assessing the Risks of Material Misstatement, deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, by understanding the entity and its environment, including internal control.

² **IRFS 9**; (International Financial Reporting Standard 9) Financial Instruments, addresses the accounting for financial instruments and specifies how an entity should classify and measure financial assets and liabilities.

AFR 2022/23 Significant Risks and Findings by External Audit and Actions Proposed by Management				Table 1
Significant Risk Area	Description of Risk	Issue (Finding)	Actions Proposed by Management	
		Authorities and the work performed by the Council provide assurances that the figure is unlikely to be misstated.		
	Significant difficulties during the audit	No significant difficulties were encountered during the audit and the auditors had the full co-operation of management.	None required.	
	Powers and responsibilities under the 2014 Act ³ .	<p>The auditor powers under the 2014 Act are broad, but they have not exercised their powers in respect of:</p> <ul style="list-style-type: none"> • issue a report in the public interest; • make statutory recommendations that must be considered and responded to publicly; • apply to the court for a declaration that an item of account is contrary to law; and • issue an advisory notice under schedule 8 of the 2014 Act. <p>The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.</p>	None required.	

3.5.2 **internal control recommendations** (ACR, Section 5), the auditors have issued two internal control recommendations, these are discussed further in **Table 2** below:

³ **2014 Act**; The Local Audit and Accountability Act 2014 sets out the framework for the audit of local authorities.

AFR 2022/23 Internal Control Recommendations				Table 2
Priority Ranking	Internal Control	Description of deficiency	Recommendation	Management response
Medium (Level 2)	Budget Managers responsible for individual assets are requested on an annual basis by the Finance Team to provide details on whether the assets are in the same condition as in prior years and if not, whether impairment of the asset is likely to be required.	<p>An asset had been identified as having been potentially impaired. However, no further work was undertaken to confirm the impairment.</p> <p>The asset was held in the asset register with a value of £89k.</p>	A further review should be undertaken of assets where potential impairment has been noted. If issues are significant then the asset should be added to the revaluation programme during the year to get an expert's opinion on the updated value of the asset.	Accounts closure procedures will be reviewed and updated to ensure that an impairment review of all assets identified by services is undertaken.
Low (Level 1)	Related party disclosures are required to be made on an annual basis by Councillors and Senior Officers within the Council.	It was identified that whilst declarations had been received one member did not fully disclose all related parties that they had. It was confirmed that there were no transactions with this related party during the year.	All related parties are disclosed through the declaration of interest forms and further training is provided on what would constitute a related party as required.	<p>All related party disclosures submitted by both members and officers are reviewed by finance as part of the accounts closure process.</p> <p>The disclosure identified by the auditors will be built into the accounts closure procedures.</p>



3.5.3 **summary of misstatements** (ACR, Section 6), the auditors have reported the following:

- **unadjusted misstatement**, the total unadjusted items for 2022/23 is £531k; a summary of these items is shown below. These items have not been adjusted as collectively they are not material (materiality being £835k, see ACR, Section 3).
 - i. **Current receivables (aka income)**; the auditors found an error in their “cut off” testing in that an item of income should have been accounted for with 2022/23. The estimated impact of this error was £61k; however, as it is not material it has not been adjusted for. Members may be concerned that this may be lost income, this is not the case; it is just that the income will be recorded in the following year.
 - ii. **Revaluation Reserve**; the balance held in Other Comprehensive Income (OCI) in respect of property revaluations was understated by £57k.
 - iii. **Reserves**; the valuation report for property and the consequential updating of the fixed asset register and not been done correctly.

In respect of (ii) and (iii), these transactions are:

- “non-cash”; they are effectively notional changes to property values; they would only be realised if and when the associated assets are sold.
 - do not impact on the “cash” reserves of the Council (i.e. the General Fund and Earmarked Reserves).
 - The valuation changes will effectively be corrected when the 2023/24 accounts are produced based on that years valuation report.
- **disclosure (notes) amendments**; within the notes of the accounts, nine issues were identified. Of these, three were amended which related to the Senior Officers Remuneration note. Of the other six items these are presentational within the notes and do not impact on the financial statements, so none have been adjusted.

3.5.4 **Value for Money** (ACR, Section 7), the external auditors VFM report is at **Appendix 1** and discussed at paragraphs 3.1 to 3.3. However, the ACR also refers to Value for Money and the following is stated:

“We have completed our work in respect of the Council's arrangements for the year ended 31 March 2023 **and we have not identified any significant weaknesses** in arrangements that have required us to make a recommendation.....”

This view of the external auditor on the Councils proper arrangements is subject to no changes occurring between the drafting of this report and the holding of this meeting. The external auditor will confirm at this meeting if their view has changed and if so, why?



Receiving the Annual Governance Statement

- 3.6 The AGS (**Appendix 3**) has been signed by both the Leader of the Council and the Deputy Chief Executive and includes the updated Head of Internal Auditors Opinion. The Opinion was included in the Internal Audit Annual Report and Assurance Opinion that was reported to this committee earlier as Agenda Item 1.
- 3.7 In addition, the AGS addresses the Councils considerations in respect of its governance arrangements and the internal control environment, both of which are considered to be operating effectively.

Approver the Letter of Representation

- 3.8 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate; a draft copy of the letter signed by and submitted to the external auditor is attached as **Appendix 4**.

Approve the Annual Financial Report

- 3.9 As mentioned previously, the Council approved and published its accounts by the 31 May 2023. Now, “those charged with governance” are required to approve the AFR and the Council is required to publish its post audit accounts; a copy of the post-audit AFR is attached at **Appendix 5**.
- 3.10 The Committee is asked to approve the AFR, subject to a delegation to the Chairman and the s.151 Officer following confirmation by the external auditor that all matters are completed.
- 3.11 Members should note that in respect of the final AFR compared to the draft that was approved by the 31 May, no changes have been made to cash backed (useable) reserves.

4 Implications of Decisions

Corporate Priorities

- 4.1 The Council has a robust financial and performance monitoring process which, by Quarter 4, demonstrated the delivery of the Councils corporate priorities (respective links to 2022/23 Q4 [Financial Performance](#) / [Performance](#)). The AGS, AFR and external audit process are core elements of the Councils financial and non-financial governance framework and therefore provide assurance to the Council and stakeholders of the delivery of the Councils priorities.

Consultation

- 4.2 In line with the Account and Audit regulations the AFR was available for inspection.

Financial

- 4.3 There are no direct financial implications arising from this report. External audit fees have a specific budget, and any additional cost will have to be met from within current resources. It should be noted that the misstatements noted at paragraph 3.5 have no impact on the Councils cash balances and useable reserves.

Legal

- 4.4 There are no direct legal implications arising from this report.

Environmental Implications

- 4.5 There are no direct environmental implications arising from this report.

Risk Management

- 4.6 The AGS and AFR documents, along with the process of their development and the consequential external audit process are key in the management of risk and provides assurance to the Council, its customers, and stakeholders.

Equalities Impact

- 4.7 There are no direct equalities implications arising from this report.

Data Protection

- 4.8 There are no direct data protection implications arising from the report.

Alternative Options Considered

- 4.9 Not applicable in this context.

Background papers

Not applicable in this context.

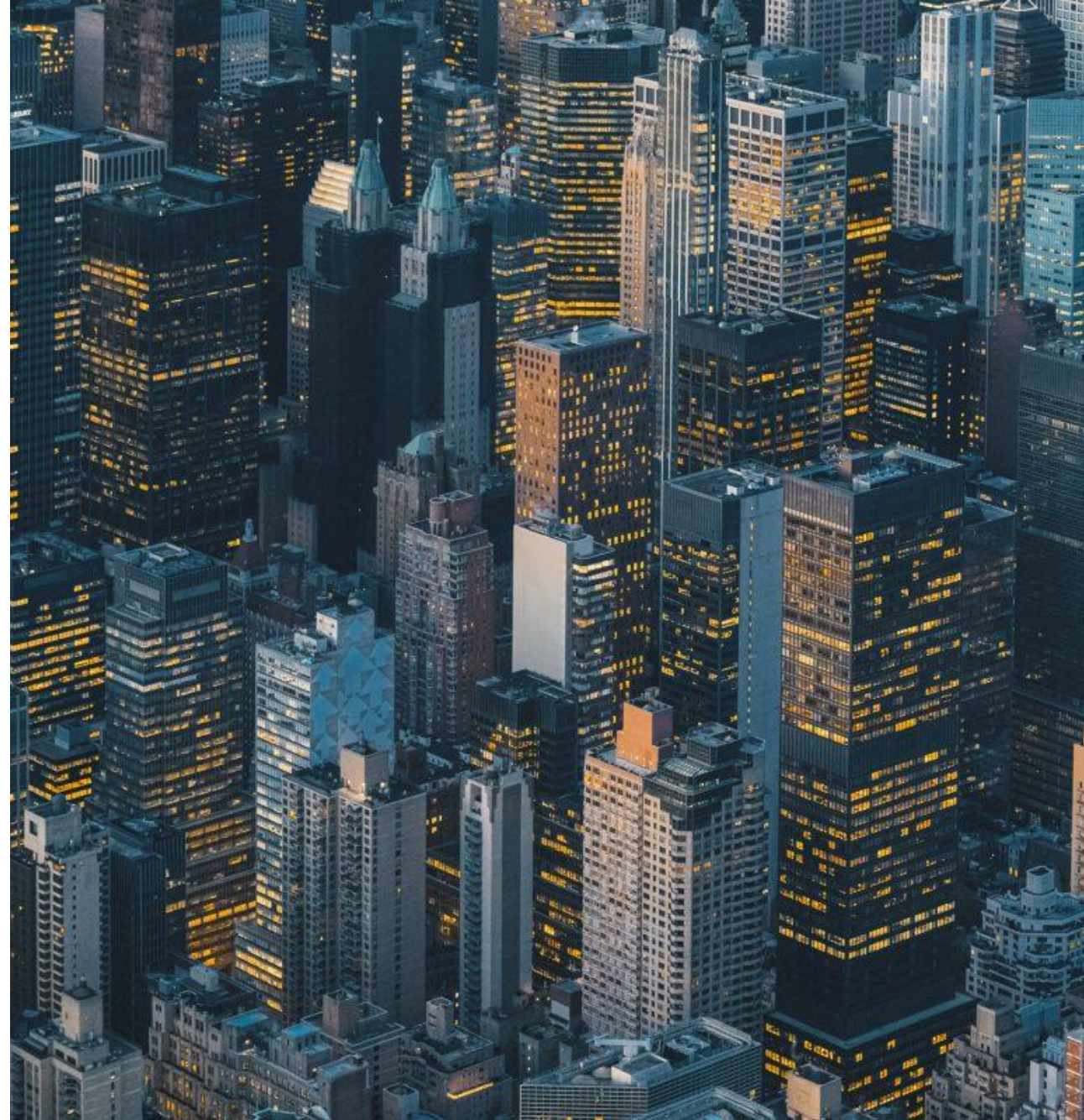
Draft commentary on the Council's VFM arrangements

Harborough District Council – year ended
31 March 2023

April 2024

Commentary on VFM arrangements

Overall summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



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



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



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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

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

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

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

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but still require action to be taken

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	6	No	No	No
 Governance	10	No	No	No
 Improving economy, efficiency and effectiveness	13	No	No	No

Commentary on VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

We reported in our Annual Auditor’s Report for 2021/22, that we had:

- Reviewed the 2021/22 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements;
- Reviewed the 2022/23 General Fund Budget.
- Reviewed the Council's Annual governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas.

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

Overall responsibilities for financial governance

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

The Council’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with Officers and relevant work performed on the financial statements, we are satisfied that the Council’s arrangements for budget monitoring remain appropriate, including regular reporting to Members and well-established arrangements for year-end financial reporting.

2022/23 Budget Setting and the Medium-Term Financial Strategy

We considered the 2022/23 budget setting process, including the Medium-Term Financial Strategy as part of our work on the 2021/22 review of arrangements, with no significant concerns arising. We were satisfied that, the Budget Report for 2022/23 adequately explains revenue and capital budgets, with a sufficient explanation on the impact to the general fund balance.

The Council reported its financial outturn position to Cabinet in July 2023 and in the 2022/23 Statement of Accounts. The Council reported a £4k underspend, with a small overspend on the capital budget of £59k. The variance does not give rise to concern in relation to the Council’s arrangements for financial sustainability.

VFM arrangements – Financial Sustainability

Financial sustainability and revenue reserves

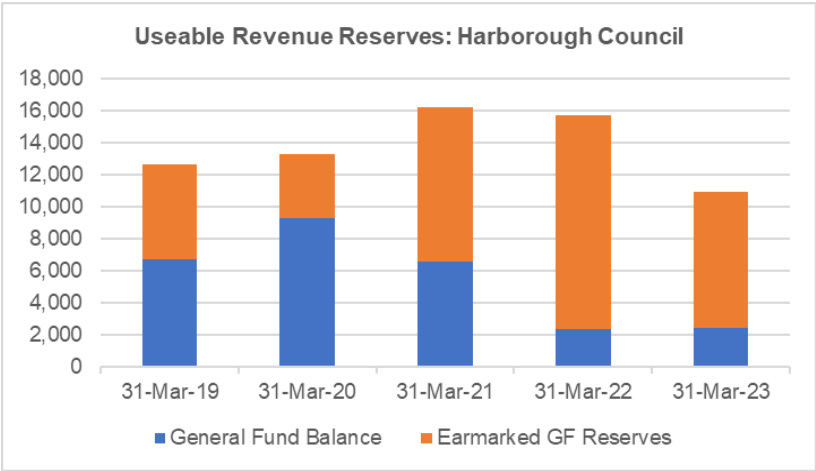
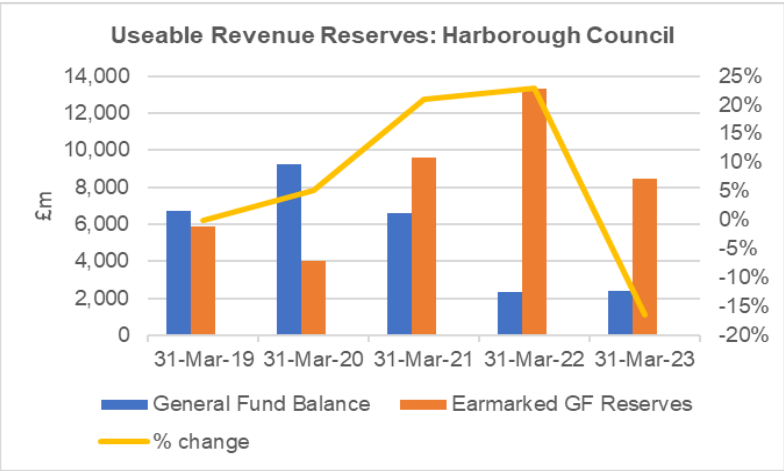
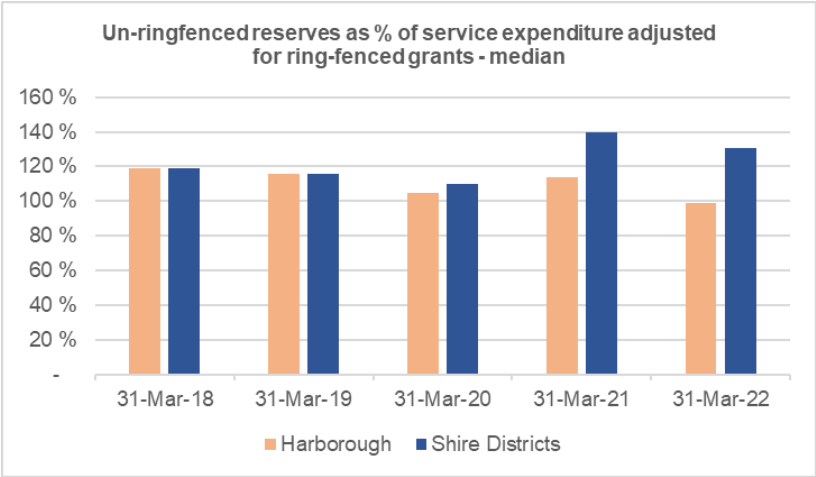
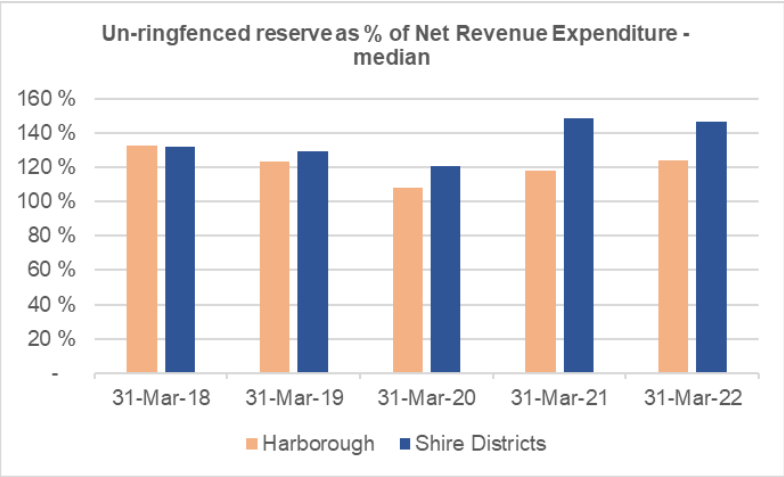
We have also performed a more detailed review of the Council's revenue reserves.

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

We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been in line with the median compared to shire districts since 2018 (first two charts to the right).

Through a review of the financial statements, we have considered the Council's revenue reserves over time (bottom two charts), which is beginning to reflect a downward trend. From our review of Note 8 of the financial statements, the Council used £5m of its earmarked reserves in 2022/23. The Council recognises that planned use of reserves is not a sustainable option. The development of robust savings plans for the period 2025/26 onwards is and must be a priority, making the calendar year 2024 very important with regard to the development and agreement of transformation and savings plans to feed into the 2025/26 budget. Furthermore, with ongoing and increasing financial uncertainty across local government, the Council should consider incorporating more granular detail over the mitigation strategies over the duration of the MTFS from 2025/26 to 2028/29 to avoid the use of drawing on the general fund working balance.

Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability.



Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

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

Commentary on VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from the previous year.

The Authority’s governance structure

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

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people.

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

2023/24 Budget Setting and the Medium-Term Financial Strategy

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

There is no indication of excessive use of capital flexibilities to support revenue expenditure. Furthermore, there is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans.

We read the Medium-Term Financial Strategy (MTFS) as included in reports to Cabinet and Council in February 2023. As in previous years, it includes an adequate level of detail over the assumptions and cost pressures facing the Council, which are consistent with our experience at similar sized authorities and not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

As set out in the previous section, the Council’s 2022/23 outturn was balanced after drawing £5m from earmarked reserves. We reviewed the Council’s budget approval process, including reports to Scrutiny, Cabinet and Council, including the impact on reserves, which we summarise as:

Year ending	31 Mar 2024	31 Mar 2025	31 Mar 2026	31 Mar 2027	31 Mar 2028
General Fund forecast reserves	2,494	2,580	2,777	2,951	3,020
Earmarked revenue reserves	11,744	12,505	11,321	9,584	7,921

The adoption of the 2023/24 MTFS results in revenue reserves of £11m by 31 March 2028. We have also updated our assessment to reflect on the 2024/25 MTFS, which continues to show revenue reserves in a balanced position. Arrangements are in place, via performance reporting and budgetary control, to monitor the progress against addressing the gap in the MTFS and Council’s financial sustainability, including a structural deficit task and finish group.

We supplemented our review of the 2023/24 budget and MTFS by reviewing the Quarter 2 performance report to Cabinet in November 2023, which forecasts an underspend of £410k compared to the general fund budgeted costs.

The Council should not, however, become complacent and fall into a position whereby a repeat of the BC2025 exercise becomes a necessity and instead be vociferous in embedding a culture of fiscal responsibility and cross departmental working.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. Arrangements have not significantly changed over the prior year, which were judged adequate. We reviewed the Quarter 2 risk report presented to Cabinet in December 2022 as evidence of member oversight of risk and opportunities facing the Council, with no indication of a significant weakness in arrangements.

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

Audit Committee

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

Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Audit Committee reports and attended Committee meetings to observe the performance of Internal Audit and the Audit Committee. We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2023.

Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

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

Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Corporate Plan setting out what it wants to achieve for local residents and communities through to 2024.

Performance is monitored and reported to Officers and Members on a quarterly basis as part of the Council's Performance Management Framework. Performance Reports are submitted to both Scrutiny and the Cabinet via quarterly reports. Officers and Members can review performance via Pentana Risk in between these reports. We reviewed the performance outturn for 2022/23 as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative to demonstrate that there are adequate arrangements to assess performance and identify areas for action.

Regulators / Inspections

Our work has not identified any adverse findings from inspectors leading to any intervention action at the Council, this includes our review of the annual report of the Local Government and Social Care Ombudsman.

Partnerships and procurement

During the year, the Council explored an option to create a strategic partnership with Melton Borough Council. We met with officers and reviewed reports on the matter, including reports to the Audit and Standards Committee. Whilst the Council chose not to proceed with the collaboration, there is no evidence of any

significant weakness in arrangements.

Aside from this, we identified no significant changes in arrangements regarding partnership working and are satisfied the Council continues to have arrangements for standing financial instructions, including purchase order controls. Our work on the financial statements has not identified any significant internal control deficiencies regarding purchasing controls.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

Mark Surridge, Key Audit Partner

Mazars

Two Chamberlain Square

Birmingham

B3 3AX

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

*where permitted under applicable country laws.

Audit Completion Report

Harborough District Council - Year ended
31 March 2023

April 2024

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



Audit and Standards Committee
Harborough District Council
The Symington Building
Adam and Eve Street
Market Harborough
LE16 7AG

April 2024

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

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

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

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

Yours faithfully

Signed: {{_es_.signer1:signature }}

Mark Surridge

Mazars LLP

Mazars LLP
2 Chamberlain Square
Birmingham
B3 3AX

01

Section 01: **Executive summary**

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Valuation of the net defined benefit liability;
- Management override of controls; and
- Valuation of property, plant and equipment.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £531k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

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



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

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



Whole of Government Accounts (WGA)

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



Wider powers



The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.


02


Section 02: **Status of the audit**


2. Status of the audit

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

Audit area	Status	Description of the outstanding matters
Property, plant and equipment		We have outstanding queries in relation to two additions tested in year.
Completion procedures		Procedures such as our quality control review, qualitative review of the adjusted financial statements, ongoing consideration of any post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.

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

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

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

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in August 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

There have been no changes to the Group audit scope.

Materiality

Our provisional financial statement materiality at the planning stage of the audit was set at £828k (Group materiality of £830k) using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements, is £835k (Group materiality of £839k) using the same benchmark.

Reliance on internal audit

No reliance has been placed on internal audit for the 2022/23 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.

Use of experts

Information below was disclosed within our Audit Strategy Memorandum, dated August 2023. There have been no changes from the Memorandum.

04

Section 04: **Significant findings**

4. Significant findings

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

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

Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk
	We addressed this risk through performing audit work over: <ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion
	No issues have been identified that need to be brought to the attention of Members.

4. Significant findings

Valuation of the net defined benefit liability	Description of the risk The defined benefit liability relating to the Local Government Pension Scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary for the scheme to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.
	How we addressed this risk We addressed the risk by: <ul style="list-style-type: none">• assessing the competency, objectivity and independence of the Actuary at the Pension Scheme;• liaising with the auditors of the Leicestershire Pension Fund to gain assurance over the design and implementation of controls in place at the Leicestershire Pension Fund. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation was complete and accurate;• reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary (as applicable), and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and• agreeing the data in the IAS 19 valuation reports provided by the Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
	Audit conclusion No issues have been identified that need to be brought to the attention of Members.

4. Significant findings

Valuation of property, plant and equipment	<div data-bbox="461 209 2313 325">Description of the risk <p>Property related assets are a significant balance on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p></div> <div data-bbox="461 325 2313 765">How we addressed this risk <p>We addressed the risk by:</p><ul style="list-style-type: none">• critically assessing the scope of work, qualifications, objectivity and independence of the Council's valuers to carry out the required programme of revaluations;• considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies;• assessing whether valuation movements are in line with market expectations by considering valuation trends;• performing tests of details on a sample of assets revalued in year;• critically assessing the approach that the Council has adopted to ensure that assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers; and• considering engaging our own valuation expert to support our work.</div> <div data-bbox="461 765 2313 862">Audit conclusion <p>We have noted a variance between the valuers report and the statement of account. This has been noted in section 6 of the report.</p></div>
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4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 1 August and were of a good quality.

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

Significant matters discussed with management

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

- The Council's financial position, including development of the medium-term financial plan.
- Impact of ISA 315;

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

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

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

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

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

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

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

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

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

5. Internal control recommendations

Other deficiencies in internal control – Level 2

Description of deficiency

Budget Managers responsible for individual assets are requested on an annual basis by the Finance Team to provide details on whether the assets are in the same condition as in prior years and if not, whether impairment of the asset is likely to be required.

In one case, we identified that the Budget Manager had advised issues with two assets, one of which “tenants have been vacated due to damp and mould” and the other “During 2024 the current derelict building will be knocked down and replaced with a new building for temporary accommodation”. We noted that for the second asset the derelict building had been removed from the asset register and the new building noted as Asset Under Construction as required. However, for the first asset no further work was undertaken to confirm whether there was impairment. We did note that the value of the asset within the register was only £89k so this could not lead to a material misstatement in the current year.

Potential effects

Assets are held within the asset register at incorrect values lead to material misstatement of the accounts.

Recommendation

A further review should be undertaken of assets where potential impairment has been noted. If issues are significant then the asset should be added to the revaluation programme during the year to get an expert’s opinion on the updated value of the asset.

Management response

Accounts closure procedures will be reviewed and updated to ensure that an impairment review of all assets identified by services is undertaken.

5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

We noted that Harborough do not currently apply the Expected Credit Loss model when working out recoverability of debtors this is not in line with IFRS9. Whilst we are comfortable from work undertaken that this would not lead to a material error the statements are currently not being prepared in line with accounting standards.

Potential effects

The provision within the accounts for expected credit loss is materially misstated.

Recommendation

The Council should ensure that the Expected Credit Loss (ECL) model is applied, or undertake further work to ensure that the current model is not materially different from the value that would be generated using the ECL model.

Management response

Accounts closure procedures will be reviewed and updated

5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Related party disclosures are required to be made on an annual basis by Councillors and Senior Officers within the Council. We identified through our work that whilst declarations had been received one member did not fully disclosed all related parties that they had. We were able to confirm that there were no transactions with this related party during the year.

Potential effects

Related party transactions are not undertaken at arm's length and / or disclosed in the accounts as required.

Recommendation

All related parties are disclosed through the declaration of interest forms and further training is provided on what would constitute a related party as required.

Management response

All related party disclosures submitted by both members and officers are reviewed by finance as part of the accounts closure process.The disclosure identified by the auditors will be built into the accounts closure procedures.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £25k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Debtor			61	
	Cr: Revenue		61		
We noted one invoice in our post year end income sample that related to the 2022/23 year end. It had not been noted as a receivable and therefore the balance was sitting in the incorrect year, we have extrapolated the amount leading to an estimated error of £61k					
2	Dr: Revaluation reserve			57	
	Cr: OCI		57		
The downwards revaluation per the valuers report (which matches the FAR) does not correspond to the revaluation movement noted in the revaluation reserve and the (Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets in OCI.					
3	Dr: Reserves			413	
	Cr: Property, plant and equipment				413
We noted that figures from the valuation report had not been updated correctly in the fixed asset register and subsequently the accounts. This has led to a variance of £413,000. Management have decided not to change this issue as it would not impact useable reserves and the variance will be corrected when the assets are revalued again.					
Total unadjusted misstatements			118	531	413

6. Summary of misstatements

Disclosure amendments

If during our review of the financial statements/annual report we have identified significant amendments to disclosures then these amendments and whether they were adjusted or not should be outlined in this section of the report. As with numerical misstatements above, we should request that disclosure errors are corrected; in line with the treatment of unadjusted numerical misstatements they should be included within the management representation letter as appropriate.

We identified the following adjustments during our audit that have been corrected by management:

- We noted several issues with the senior officers remunerations note:
 - 1 individual was included who's salary did not exceed 50k;
 - 1 individual should have had their PILON payment included in their remuneration;
 - The Head of Legal Services is a statutory role and has been excluded from the note as they were interim which is not in line with statutory requirements.

We identified the following adjustments during our audit that have not been corrected by management:

- We noted a variance of 90k (understatement in CIES) between the Depreciation, amortisation, impairment noted in the CIES when reconciled to other notes in the accounts;
- We noted a variance of 98k (understatement in note 17) between the financial instruments note for line debtors held at FVTPL when reconciled to other notes in the accounts;
- We noted errors with the Brought forwards values for PPE which did not correspond to the FAR. The closing value corresponded as the depreciation carried forwards also did not correspond with the balances netting off;
- We noted an unreconciling balance of 48k on the cashflow related to Depreciation, impairment, amort, amount derecognised and NBV relating to disposal;
- In the group cashflow we have identified a 35k balance which does not reconcile back to the two sets of individual accounts;
- We noted 2 classification errors within creditors which would not change the face of the balance sheet but would affect the creditors note. Errors were based on one item being recorded as an other payable when it was based on estimates hence should have been an accrual and the other error was noted as an accrual but the invoice was received post year end so the item should have been an other payable. Item values were 79k and 3.5k respectively.

07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

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

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

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

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

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

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2023 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation.

Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses.

As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in April 2024.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Mazars LLP
First floor,
Two Chamberlain Square,
Birmingham
B3 3AX

Dear Mark

Harborough District Council - Audit for Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Harborough District Council the (Council and Group) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

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

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of

transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Accounting estimates

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

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

Fraud and error

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

I have disclosed to you:

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

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

Related party transactions

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

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

Impairment review

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

Future commitments

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

Subsequent events

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

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

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 8 to the financial statements fairly reflects that assessment

Brexit

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

Going concern

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

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Director of Resources

Independent auditor's report to the members of Harborough District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Harborough District Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council Movement in Reserves Statement, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the HRA and Collection Fund statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resource with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Resource is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Director of Resource for the financial statements

As explained more fully in the Statement of the Director of Resource's Responsibilities, the Director of Resource is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Resource is also responsible for such internal control as the Director of Resource determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resource is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Resource is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

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

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

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

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

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

We are also required to conclude on whether the Director of Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the [Council]'s Whole of Government Accounts consolidation pack;

[Signature]

Mark Surridge Key Audit Partner
For and on behalf of Mazars LLP

2 Chamberlain Square

Birmingham

B3 3AX





[Insert date]

Appendix C: Independence

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

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

Appendix D: Other communications

Other communication		Response
<div>  <div> Compliance with Laws and Regulations </div> </div>		<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<div>  <div> External confirmations </div> </div>		<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<div>  <div> Related parties </div> </div>		<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
<div>  <div> Going concern </div> </div>		<p>We have not identified any evidence to cause us to disagree with the Director of Resources that Harborough District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
<div data-bbox="191 406 262 475"></div> <div data-bbox="303 412 448 465">Subsequent events</div>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<div data-bbox="180 692 270 778"></div> <div data-bbox="303 714 476 766">Matters related to fraud</div>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged with Governance, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Mark Surridge

Mazars

2 Chamberlain Square

Birmingham

B3 3AX

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

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ANNUAL GOVERNANCE STATEMENT 2022/23

Introduction

Under the Accounts and Audit (England) Regulations 2015 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee (those charged with governance). The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

1. Standards of Governance

- 1.1 The Council expects all its members, officers, partners, and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, Constitution, and policies of the Council as well as applicable statutory requirements.

2. Scope of Responsibility

- 2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively to secure continuous improvement.
- 2.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities 2016 edition. The Council has adopted a local code based on this framework. Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulation and ensuring the effective exercise of its functions.

The Seven Core Principles are

- (a) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- (b) Ensuring openness and comprehensive stakeholder engagement.
- (c) Delivering outcomes in terms of sustainable economic, social and environmental benefits.
- (d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- (e) Developing the Council's capacity including the capability of its leadership and the individuals within it.
- (f) Managing risks and performance through robust internal control and strong public management.

(g) Implementing good practice in transparency, reporting and audit to deliver effective accountability.

2.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on- going process (supported by quarterly risk review and the work of Internal Audit) to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives, and policies.

3.3 The governance framework has been in place at the Council for the year ended 31st March 2023 and will be reviewed up to the date of approval of the statement of accounts. The Governance Framework is constantly reviewed to consider organisational changes and changes in regulation and best practice.

3.4 Internal audit, on a risk basis, reviews the Council's systems and processes set out to achieve the Council's priorities to provide an assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

3.5 The Head of Internal Audit annually assesses the delivery of Internal Audit Services against the Public Sector Internal Audit Standards.

4. The Governance Framework

4.1 The key elements of the systems and processes that comprise the Authority's governance framework which encapsulate the seven principles noted above include:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Corporate Plan 2022 -2031 (approved 21 February 2022) sets out the priority areas for the Council, these have been revised to: place and community, healthy lives, environment and sustainability, and economy. It is reviewed annually to ensure the key activities meet the needs of the community.
- 2022/23 Budget Report (approved 21 February 2022) and Medium-Term Financial Strategy (MTFS) 2023/24 to 2026/27. The plan outlined the Council's financial plans and priorities which then informs the service and financial planning process. All Councils are facing ongoing and unprecedented uncertainty because of the legacy of the Coronavirus pandemic, cost of living crisis, higher than recent

inflation, ever increasing customer demand and the continued implications of the government's austerity agenda which makes robust medium-term financial forecasting problematic. The MTFs considered the impact of the future funding of local government, as well as modelling current and future service change by a comprehensive budget review and prioritization process. It also includes an extensive sensitivity analysis that "stress" tests potential service and corporate budget risks and the impact on the Councils reserves.

- Performance Management and Risk and Opportunity framework manage delivery of Council priorities.
- Corporate Management Team provides strategic and operational leadership to the Council.
- The Council's communication and consultation strategies.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), forward plan and decision-making processes. A revised constitution was approved by Council during 2017/18 and subsequent amendments in 2018/19 and 2020/21. During 2022/23 there were various changes approved by the Constitutional Review Committee around financial procedure rules, and a review of Corporate Governance took place.
- Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected from members and officers.
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles.
- Regular Portfolio Holder Briefings between Cabinet Members and Corporate Management Team to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Council operates a 'strong leader model' with a Cabinet. The constitution clearly set out these roles.
- Designated statutory officers – Head of Paid Service (Chief Executive), Chief Financial Officer (Director: Finance & Assets), Monitoring Officer (Director: Law & Governance until the post holder left now Interim Monitoring Officer).

Taking Informed and transparent decisions which are subject to effective scrutiny and managing risk

- The democratic decision making, and accountability processes contained within the Constitution.
- Audit and Standards Committee, Scrutiny Function and other Regulatory Committees.

- The Council's Information Governance Framework, data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme.
- Project Management Framework to manage the Council's change programmes.
- Risk Management and Opportunity Framework.
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).
- A Legal Services Team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation.
- The development of internal controls and checks within new systems and when existing systems are reviewed.
- The Council's communication and consultation strategies.

Developing the capacity and capability of members and officer to be effective

- The Council's workforce/organisational development procedures and induction processes seek to develop skills on a continuing basis to improve performance and resilience.
- The Council regularly seeks Member engagement and guidance through Member workshops, Cabinet Advisory Panels. Member Project Board. Specific training has been provided in areas such as planning.
- Officer and Member Induction Programmes.

Engaging with local people and other stakeholders to ensure robust public accountability

- The Council consults using a variety of methods including consultation, surveys. Feedback forms, focus groups.
- The Council's vision and priorities are regularly communicated to the Community through Harborough News and to Businesses through the Business Newsletter.
- Committee and Council meetings are open to the public and can be recorded if they so wish.
- Active Parish Liaison including an annual parish liaison meeting.
- The Council encourages all types of feedback (complaints, compliments comments and suggestions) which can be accessed via the website, face to face, telephone, email and letter.
- Promoting consultation and other feedback through social media and other communication methods.

- Internal audit, on a risk basis, reviews the Council's systems and processes set out to achieve the Council's priorities to provide an assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
- The Head of Internal Audit annually assesses the delivery of Internal Audit Services against the Public Sector Internal Audit Standards.
- Progressing a Local Plan to ensure planning decisions are made and determined in accordance with the National Planning Policy Framework (NPPF).

4.2 **CIPFA Code of Financial Management;** a self-assessment review of the CIPFA Code of Financial Management (FM Code) has been undertaken and was reported to the Audit & Standards Committee on the 28th June 2022 (Agenda Item 6). This self-assessment gave the Council an "Amber" rating, in that its compliance with the FM Code is

"fair but some development and clarification is needed to ensure financial sustainability is achieved and good financial governance is embedded within the Council."

Consequently, a number of recommendations have been made, and these are expected to be implemented over the next 12 months or so.

5. Review of Effectiveness

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:

- the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment.
- the work of internal audit.
- the operation of the Council's Governance arrangements.
- Reports and observations made by the external auditors and other external review agencies and inspectorates.
- Customer complaints and comments.

5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Cabinet members undertake monthly portfolio holder meetings with individual members of Corporate Management Team in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet. The Council has a report writing guide and sign-off arrangements for committee reports.

5.3 The Council's Scrutiny function continues to review the development of policy, performance and risks as well as undertaking reviews of particular areas of the Council's activities through their work plan and task groups.

- 5.4 The Audit Standards Committee receive reports from the Council's External and Internal Auditors.
- 5.5 The report from Internal Audit for 2022/23, was received in July 2023. Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion of the Council's system of internal control is that:

I am satisfied that sufficient internal audit work has been undertaken to inform an opinion on the adequacy and effectiveness of governance, risk management and internal control for 2022/23. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2022/23. This control environment comprises of the system of internal control, governance arrangements and risk management. Any limitations over this opinion are detailed and explained further below.

Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be operating at a level of Satisfactory Assurance for compliance and Good Assurance was given for the design of the control environment.

Bank reconciliation procedures were found to be generally sound and testing confirmed that reconciliations were complete and accurate. Controls over suspense accounts were found to be effective with good evidence of review and clearance of outstanding balances at the time of audit.

Treasury management arrangements are robust and could be strengthened through the routine recording of the basis for selection of investment counterparties.

Sundry debt collection has been adversely affected by staffing reductions and associated work pressures in 2022/23 and the Council is significantly under-performing against target. Management should ensure that sufficient resources are allocated to debt recovery activities to ensure recovery action is brought up to date in the short term and maintained going forward.

Risk management

The Council's structures and processes for identifying, assessing and managing risk have remained generally consistent during 2022/23. The Internal Audit plan was risk based and informed by the Council's risk management framework and reporting.

Internal control

For the audits completed by the Internal Audit service in 2022/23 and finalised at the time of reporting, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance.

Of the high and medium priority agreed management actions due for implementation during 2022/23, 89% had been completed during the year. Of the low priority actions, 43% remained overdue at 31st March 2023 – but these actions have not been

assessed as representing a risk to the authority and, rather, seek to achieve further improvement.

There have been no incidences during 2022/23 where the internal audit team have highlighted a fundamental risk or weakness and management have sought to accept the risk, rather than agree an appropriate action.

Internal Audit has not been made aware of any further significant governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 5.6 The latest External Auditors Annual Letter from the Council's appointed External Auditors, Mazars for the financial year 2021/22 issued **unqualified opinions** on the financial statements and Value for Money Arrangements of the Council. These confirm that the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year and that the Council has proper arrangements for securing financial resilience, economy, efficiency, and effectiveness.
- 5.7 The Council has an integrated business and performance management framework and reporting mechanism (Pentana). Assurances are sought and evidenced through 1:1 meetings with staff. Corporate Management Team and Service Managers are required to produce annually a 'Senior Management Assurance Statement' that is used to inform this Annual Governance Statement.
- 5.8 The Council's ICT arrangements have been assessed by independent consultants and a new ICT Strategy has been developed and includes improved cybersecurity using the principles of Zero Trust.
- 5.9 The Council during 2018/19 set up a wholly owned Local Authority Company linked to property acquisition. The Council invested Share Capital and provided a loan to the Company. Cabinet will act as the Shareholder. During 2022/23, the principal activity of the company has been operating and leasing of real estate.
- 5.10 The Council has an Anti-Fraud & Corruption Policy. This was refreshed in 2017/18 and considered by the Ethical Governance Committee, Governance and Audit Committee and subsequent approval by Council. There were no incidences of corporate fraud reported in 2022/23. An updated Whistleblowing Policy was approved in 2018/19. The Council has agreed to work with Leicester City and other Councils in Leicestershire in a single fraud hub. An information sharing agreement has been signed.
- 5.11 The Council has monitored its performance using the corporate performance management system, Pentana. This system is accessible by Council Members and Officers with quarterly performance and risks reports being considered by Cabinet and Scrutiny. The Council undertakes regular data quality reviews to ensure the integrity and accuracy of reported information. These are reported to the Performance Improvement Board. There were 32 Key Activities agreed in the Corporate Delivery Plan for the 2022/23 year. The performance at the end of the 2022/23 year was: 26 (81%) Key Activities had a status of Green, 6 (19%) had Amber status, and 0 (0%) had Red status.

5.12 The Council monitors strategic risks through Cabinet and the Audit and Standards Committee. Amendment has been made during the year to the Risk Management Framework to use a 5 x 5 matrix instead of a 4 x 4 matrix to improve the accuracy of recording risk and mitigations. There were 8 risks assessed as red status during the 2022/23 year. These included:

- Costs of planning appeals, and legal challenges, weaken the Council's financial position.
- Increase in homeless presentations results in an increased demand in Council support for reactive temporary accommodation that exceeds the current budget and weakens the Council's financial position.
- Loss of income, as economic activity reduces, weakens the Council's cashflow and financial sustainability.
- Loss of ability to provide a comprehensive service due to cyber security attacks.
- The Council does not meet its budgeted for planning fee income targets, particularly in regard to major applications which could have a negative impact on the Council's financial position.

5.13 The Council has in place an approved constitution which governs the decision making of the Council. Decisions have been made in accordance with the Council's constitution with no need for either monitoring officer or S151 officer reports to be issued. The Council has continued to review its governance framework through the Constitutional Review Committee.


5.14 The Council recorded 14 data incidents in 2022/23. Of these the Council did not make any reports to the Information Commissioner's Office (ICO) for breaches as they did not meet the reporting threshold in the opinion of the Data Protection Officer.

5.15 There were 18 complaints received by and responded to by the Local Government and Social Care Ombudsman in 2022/23. None of the 18 have been recorded as 'upheld'.

6 Conclusion

6.1 The Council will throughout the year monitor and seek assurances in respect of the Governance Framework and will monitor implementation as part of the next annual review.

Signed



Cllr Phil Knowles, Leader of the Council

Liz Elliot, Deputy Chief Executive



Harborough District Council

The Symington Building: Adam & Eve Street, Market Harborough, Leics LE16 7AG
Tel: (01858) 82 82 82 www.harborough.gov.uk DX 27317 Market Harborough

Mazars LLP
First floor
Two Chamberlain Square
Birmingham
B3 3AX
Dear Mark

Harborough District Council - Audit for Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Harborough District Council the (Council and Group) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

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

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

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

Accounting estimates

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

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

Fraud and error

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

I have disclosed to you:

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

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

Related party transactions

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

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

Impairment review

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

Future commitments

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

Subsequent events

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

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

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 8 to the financial statements fairly reflects that assessment

Brexit

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

Going concern

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

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Clive Mason

Director of Resources & s151 Officer



ANNUAL FINANCIAL REPORT
2022/23
including
THE STATEMENT OF ACCOUNTS

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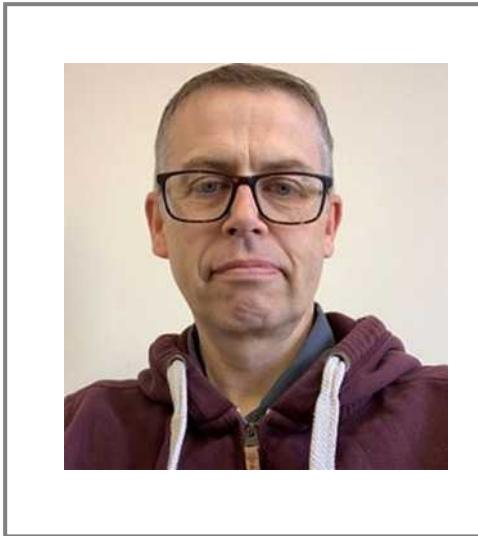
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APPROVAL OF THE ACCOUNTS

This Statement of Accounts was approved and adopted by Harborough District Council's Audit and Standards Committee at its meeting on 24th April 2024.

Councillor Gair
Chairman, Audit and Standards Committee
24th April 2024

NARRATIVE REPORT



Introduction by the Chief Finance Officer

Welcome to the Council's Statement of Accounts for the year ended 31 March 2023 which details the financial position of the Council. The Narrative Report outlines the main issues impacting on the Council in 2022/23 and also provides a summary of the financial position at 31 March 2023.

The Department for Levelling Up, Housing and Communities (DLUHC) put in place revised regulations to extend statutory audit deadlines for 2020/21 and 2021/22. For 2022/23 the deadline reverts to the original requirement in the regulations, and the Council's draft accounts are required to be published by 31 May 2023.

The statement of accounts has been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code). It aims to provide relevant information to ensure that the financial position of the Council is presented as a true and fair view and to assure the reader of the accounts that the financial position of the Council is sound and secure. The requirements of the Code require significant disclosure notes with the consequence that the accounts are lengthy and complex. The narrative report seeks to highlight the key issues in 2022/23 for the reader who can then seek more detailed explanations in the key financial statements and disclosure notes.

The narrative report aims to provide context to the accounts in respect of the 2022/23 financial outturn, the overall financial position of the Council and to place the Council's finances in the context of its Corporate Plan, priorities, and achievements. The Council has, through continued strong financial management, contained spend within budget and retains a strong Balance Sheet to meet future challenges.

If you have further queries on the 2022/23 Accounts, please contact the Council's Finance Team at hdcfinance@harborough.gov.uk

I wish to thank all members, the Corporate Management Team, the wider officer cohort for their support and contributions and the finance team for producing the accounts.

Clive Mason
Director of Resources (& s.151 Officer)
(Responsible Financial Officer)

District Context

Harborough District spans an area of 59,178 hectares (228 square miles). The District shares boundaries with Melton, Rutland, Corby, Kettering, Daventry, Rugby, Blaby, Oadby & Wigston, Leicester and Charnwood Districts. The main urban centres are Market Harborough and Lutterworth.

There are several main 'A' roads that link the main urban settlements within and outside the District. The A4303/A4304 serves between Harborough and Lutterworth. The A6 links Market Harborough directly to Leicester and the A14 links to Kettering and the South. The main urban areas of the District are close to the intersection of the M1, M6 and A14. The District has major logistics hubs to the west of the District at Magna Park which due to its proximity to the major road network and the fact that 95% of all places in England are within four hours travelling distance of the District make it an ideal location for inward investment.

Harborough's rural nature, and its proximity to London by rail, makes it an increasingly attractive place for commuters to live. It is likely that alongside this, an increasing number of businesses setting up in Harborough have either links to, or clients in London.

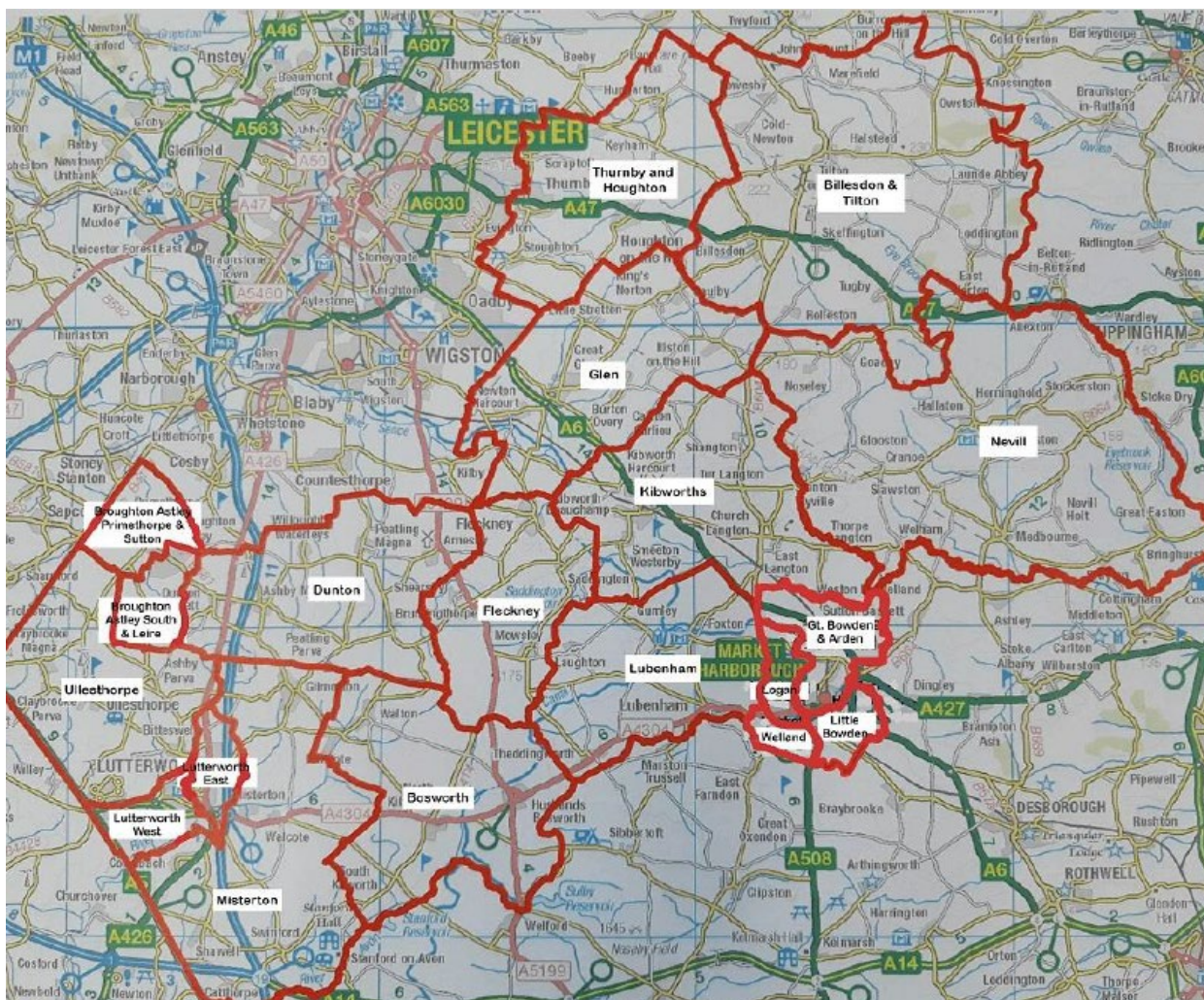
The current population of the District is 97,600 (Census 2021). The District is expecting a significant increase in the population by 2033 and has a buoyant demand for supply of housing estates. A particular challenge is the increase in the elderly population. The Council works in partnership with others through the Better Care Fund and Lightbulb Project to plan for services to meet the needs of older people.

There are approximately 5,350 businesses within Harborough District. These are largely micro businesses, 90% employing 0-9 people. 8% are small employing 10-49 people and only 2% employ over 50 people. The major employers are the national logistics operators at Magna Park referred to above.

Levels of people claiming benefits are lower than the National and Leicestershire averages but higher than before the pandemic began although they have been decreasing since the start of 2021.

Political Structure

The Council operates a Strong Leader Cabinet Model. During 2022/23 the Council comprised of 34 Members in a mixture of single and multi-member wards.



The political make-up of the Council as at 31 March 2023 was:

Political Party	Number of Councillors
Conservative	22
Liberal Democrats	11
Labour	1
Total	34

The leader of the Council during 2022/23 was Councillor Phillip King and the Portfolio holder for Finance was Councillor James Hallam.

At the local elections held on 9 May 2023 the political make-up of the council changed:

Political Party	Number of Councillors
Conservative	15
Liberal Democrats	13
Labour	3
Green	3
Total	34

A coalition has been formed by the Liberal Democrats, Labour and Green parties. The leader for 2023/24 will be Councillor Phil Knowles and the Portfolio Holder for Finance will be Councillor Mark Graves.

Harborough District is represented by three MPs, Neil O'Brien, Alicia Kearns, and Alberto Costa.

Council Workforce and Management Structure

The Council had 185 employees at 31 March 2023 who are primarily based at the Symington Building, Market Harborough, and also some at the Harborough Innovation Centre, Harborough Market, and Leicestershire Revenues and Benefits Partnership based in Hinckley. The Council also provide parking enforcement services to other Councils. Many employees continue to work from home. An Agile working policy was implemented in August 2021 to recognise the increased flexibility in working arrangements.

Every year we ask our staff to complete a voluntary equality monitoring questionnaire and then produce a report comparing the results with information relating to the community we serve. Find the latest workforce comparison report on our website. <https://www.harborough.gov.uk/equality>

The Council is managed by the Corporate Management Team, comprising of a Chief Executive, a Deputy Chief Executive and four Directors. The Chief Executive position is vacant and is currently being covered by the Deputy Chief Executive on an interim basis. The Director: Finance, ICT and Assets is currently acting as Deputy Chief Executive and the Director: Law and Governance post is currently be covered by an agency Monitoring Officer. [Update: a new Chief Executive was appointed and started in December 2023.]

Effectiveness of Control and Governance Framework

The Council will produce its Annual Governance Statement alongside the Statement of Accounts. This demonstrates the internal control and Governance frameworks that operated during 2022/23. Overall, the Council's self-assessment and annual Head of Internal Audit report will evidence through audit, testing and assurance frameworks that the Council operated as intended in 2022/23 to deliver the Council's priorities.

Council Vision and Priorities

The Council developed a new vision for 2022/23 onwards. New Key Activities are detailed in the Corporate Delivery Plan:



Working with our communities, we will build a future for the people of Harborough district that gives them the best life chances and opportunities.



PLACE & COMMUNITY

Community leadership to create a sense of pride in our place



HEALTHY LIVES

Promoting health and wellbeing and encouraging healthy life choices



ENVIRONMENT & SUSTAINABILITY

Creating a sustainable environment to protect future generations



ECONOMY

Supporting businesses and residents to deliver a prosperous local economy

Performance of the Council

The Council has continued to deliver its stated priorities within budget and on time. 32 Key Activities were set for 2022/23 with 27 (84%) complete or progressing in line with agreed milestones.

Council Performance will be reported quarterly to Cabinet with the Quarter 4 position being due to be considered by the Council's Cabinet in July 2023.

Key Achievements in 2022/23 against the Council priorities, were:

Against community leadership to create a sense of pride in our place

- New contact centre project successfully implemented, including new chatbot.
- Promotion of national campaigns including Holocaust Memorial Day, Internet Safety Day and County Lines Intensification Week.
- Local campaigns around Domestic Abuse, Rural Crime and livestock worrying, and Lighter Nights Antisocial Behaviour.
- Refurbishment of the toilets in Welland Park.

Against promoting health and wellbeing and encouraging healthy life choices

- Development and approval of Wellbeing Strategy 2022-27, focusing on
- Quality homes for all
- Community infrastructure
- Skills, jobs and income
- Stronger communities
- Mental health
- Physical health.

Against creating a sustainable environment to protect future generations

- Continue to reduce fly tipping.

- Working to reduce dog fouling, littering and graffiti.
- Continued monitoring of air quality within the district.
- Installation of 10 EV charging points in Market Harborough car parks.

Against supporting businesses and residents to deliver a prosperous local economy

- Submitted bid to Government's Levelling Up Fund for Market Harborough Town Centre.
- Distributed funding received from the Government through the UK Shared Prosperity Fund.
- Supported a comprehensive shop front enhancement scheme for businesses in the district.
- Continued to hold job fairs in Market Harborough and Lutterworth.

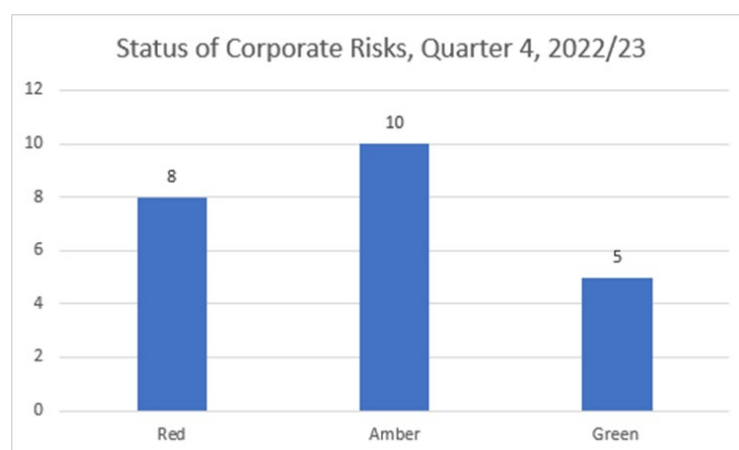
Further Grants

The Council implemented 3 new Government grant schemes during the year, Council Tax Rebate for Energy Bill, Covid-19 Additional Relief Fund and Energy Bills Support Scheme making payments to both individuals and businesses.

For most of the grants, we were acting as a distribution point for the Government and the grant payments were made in accordance with set conditions.

Risk and Opportunity Management

The Council actively managed its risks and opportunities during 2022/23 including the effectiveness of controls and other mitigation actions. 8 risks were identified as Red (High Risk) at 31 March 2023.



The Risks and opportunities are reported quarterly.

Revenue Budget

During 2022/23 the Council continued to deliver its priorities and desired outcomes within the approved budget.

The total Direct Cost of Services by Director is:

2022/23 Revenue Budget	Revised Budget	Service Outturn	Variance
	£000's	£000's	£000's
Directorate			
Chief Executive	2,329	2,212	(117)
Deputy Chief Executive	2,585	2,435	(150)
Communities & Wellbeing	5,915	6,236	321
Planning & Regeneration	695	730	35
Net Direct Cost of Services	11,524	11,613	89
Capital Financing	506	413	(93)
Net Expenditure	12,030	12,026	(4)

This shows a net overspend of £89k on services before capital financing.

Budget variances have been reported quarterly to Cabinet with the final outturn due to be considered by the Council's Cabinet in July 2023.

Revenue Reserves

The appropriations to/from reserves made during 2022/23 are:

Revenue Reserve Movements 22/23	General Fund £000's	Earmarked Reserves £000's
Opening Balance	2,361	13,328
Contribution to/(from) Reserves	44	(4,843)
Closing Balance	2,405	8,485

The Council's policy for reserves is that the general fund unallocated balance is maintained at 20% of the Council's net expenditure with the balance transferred to the budget surplus reserve and reallocated against other earmarked reserves. Details of this and a breakdown of earmarked reserves are shown in Note 8 of the Accounts.

Technical Adjustments

The Council monitors its budget on the basis of Net Direct Expenditure (per the table above) whilst the Accounts incorporate charges for Capital Charges and Pension Costs

and other adjustments. The movements between Total Net Expenditure on Services and the Net Costs of Services in the accounts are detailed below:

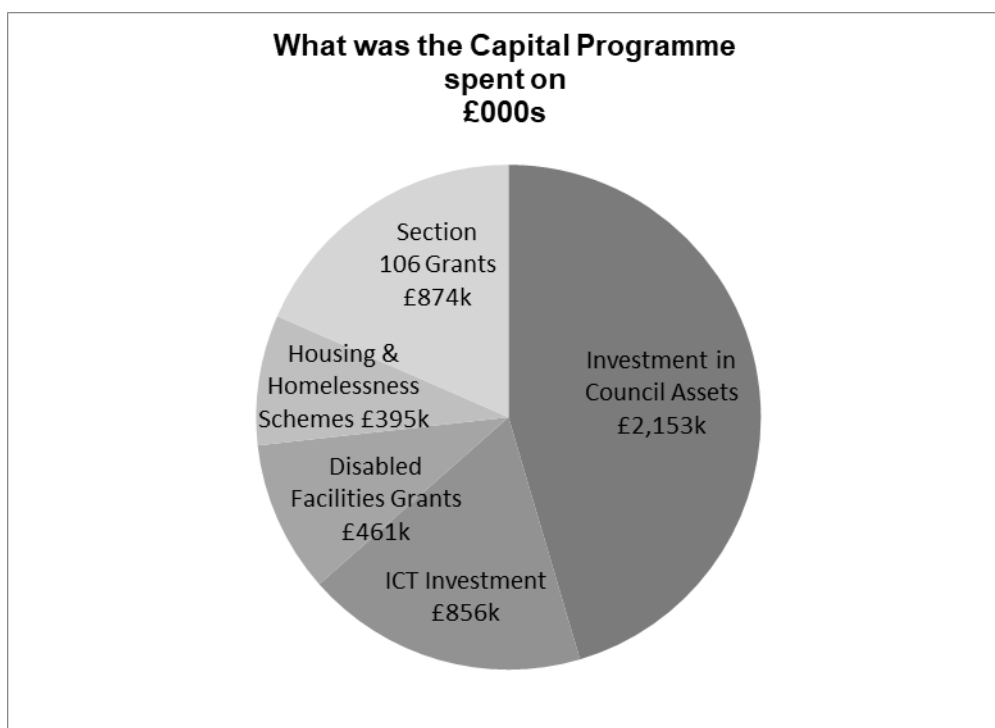
	£000s
Total Net Expenditure on Services (Management Accounts)	12,026
Capital Charges	1,653
Pension Costs	659
Investment Income	1,172
Other Movements	(143)
Net Cost of Services (Statutory Accounts)	15,367

Overall, the financial performance of the Council remains strong with a healthy and stable balance sheet. There remains significant uncertainty nationally over future funding streams (detailed later in the narrative report) for which the Council's overall financial position will allow a planned response when national funding levels are announced.

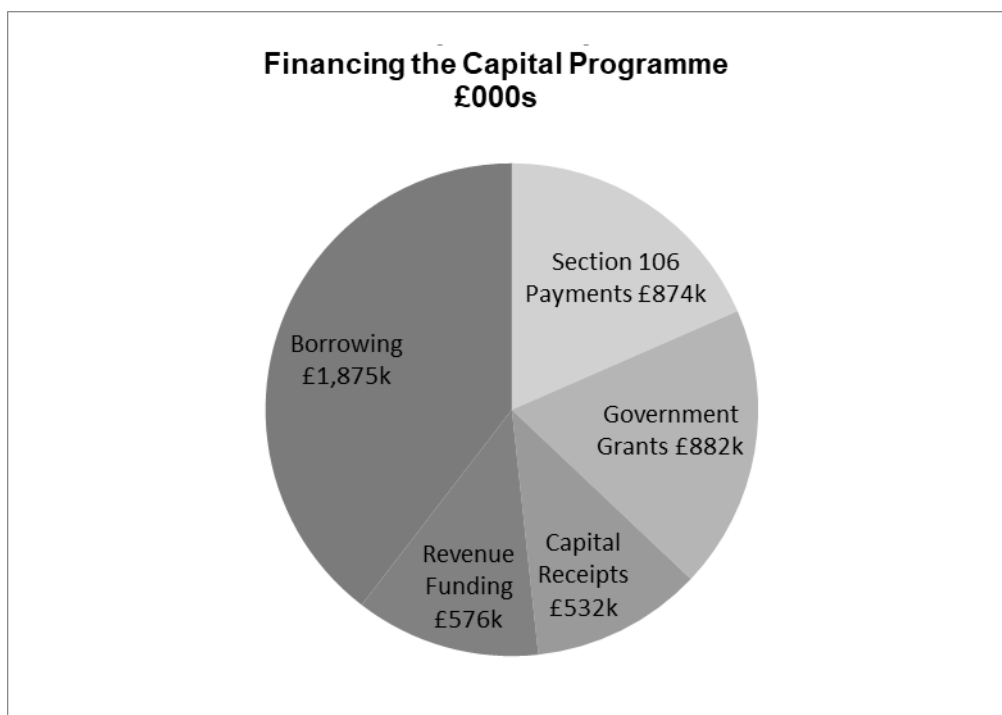
Capital Investment

The Council approved the Capital Programme in February 2022.

The Council spent £4.739m on Capital Schemes in 2022/23 as follows:



The Capital Programme was funded as below:



Financial Strategy

In February 2022, the Council approved a Medium-Term Financial Strategy (MTFS) to 2026/27, and in February 2023 updated to 2027/28. The Council aims to deliver cost-effective and sustainable services over the medium-term in line with its corporate priorities. The current national and local economic environment has been challenged by the legacy of the Coronavirus Pandemic, and now with the implications of the current cost of living crisis and high inflationary environment; however local government itself has been financially challenged since the financial crisis of 2008 to 2010. The Council has met these challenges well; it has embraced continuous improvements that has encompassed two service reviews and transformation; the aim of which is to ensure that the Council can deliver its essential services within an environment that has embedded financial resilience and sustainability at its core. Further, the MTFS achieved a balanced budget. The MTFS provides the resourcing roadmap to help the Council deliver its priorities and has achieved a balanced budget for each year of the MTFS, although the use of Earmarked Reserves was needed in the last three years.

The aim of the MTFS is to support longer term planning with the aim of delivering a stable and sustainable financial environment to support the achievement of the Council's vision and strategic objectives. The MTFS is a key element of the Council's corporate governance arrangements and an integral element of the Council's corporate planning process.

The MTFS provides a framework that will assist the Council in effectively applying its limited financial resources in a manner which achieves the strategic priorities set out in the Corporate Delivery Plan. By striving to ensure the costs of delivering its service objectives

over the term of the strategy are commensurate with the overall forecast financial resources available, the Council can seek to maintain the financial health of the authority in a manner which does not place an unreasonable burden on local taxpayers.

The financial strategy also recognises the requirement to maintain a balance between the desire to continue to deliver services but to also deliver services in a way that is both affordable and sustainable. It acknowledges the need to manage any reliance on balances and reserves utilised to bring about the introduction of service transformation. It provides a framework for the detailed financial plans over the period. The MTFS is not a static “once and for all” document; it is meant to provide a roadmap to deliver efficient and effective services over the medium-term.

Through this robust financial planning, financial management and a strategic set of Corporate Priorities and outcomes the Council is confident that it will continue to operate as a Going Concern in the future.

Financial Statements

- **The Comprehensive Income and Expenditure Statement** – reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The Cost of Services analysis is by director and is based on the director structure used for setting the 2022/23 budget and does not reflect the current responsibilities of the post holders. The profit on the provision of services totalled £1.241m (£3.806m 2021/22).
- **The Movement in Reserves Statement** – shows the movement during the year between the Council’s “usable reserves” (i.e., those that can be used to fund expenditure or reduce Council Tax) and “unusable reserves”. The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council’s services. Also included are adjustments to ensure the General Fund balance is only charged with statutory expenditure plus contributions to/from earmarked reserves. The Council’s reserves total £61.725m (£35.017m 2021/22), with the movement between years mainly accounted for by the decrease in the pension fund liability due to changes in actuarial financial assumptions. Further information on pensions can be found in Note 38 of the Statement of Accounts.
- **The Balance Sheet** – shows the Council’s overall financial position at the financial year end. It shows assets and liabilities at the top and the Council’s reserves (net worth) to match them. Our Net Worth is £61.725m (£35.017 2021/22) with the movement between years mainly due to the movement in reserves referred to above.

- **The Cash Flow Statement** – a summary of the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet. This shows a decrease in cash and cash equivalents of £852k.
- **The Collection Fund** – shows the transactions of the Council in relation to non-domestic rates and council tax. It illustrates the way in which these have been distributed to precepting authorities and the Council's General Fund.
- **Group Accounts** - This shows the consolidation of Harborough District Commercial Services Limited.

The Accounts are prepared on the basis of an internal materiality level of £662k.

True and Fair View Override

As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the "true and fair view override".

Summary

This Narrative Report aims to provide an overview of the Council's financial and non-financial performance for 2022/23, alongside priorities for the future that are inextricably linked to the MTFs and the need to respond to changes in financing and the delivery of Council priorities.

The Statement of Accounts for 2022/23 present a true and fair financial position of Harborough District Council for the financial year ended 31st March 2023. Up to date and proper accounting records have been maintained in accordance with the accounting policies detailed.

Clive Mason FCPFA
Director of Resources (& s.151 Officer)
Responsible Financial Officer
24 April 2024

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and for one of its officers to be responsible for the administration of those affairs. In Harborough District Council, this is the Director of Resources (& s.151 Officer).
- to manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

Director of Resources (& s.151 Officer) Responsibilities

The Director of Resources (& s.151 Officer) is responsible for preparing Harborough District Council's Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Statement of Accounts the Director of Resources (& s.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 Director of Resources (& s.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 gives a true and fair view of the financial position of Harborough District Council as at 31 March 2023 and its income and expenditure for the year then ended. Signed by the Director of Resources (& s.151 Officer) on 24 April 2024.

Clive Mason
Director of Resources (& s.151 Officer)
Responsible Financial Officer
24 April 2024

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Restated 31 March 2022			Note	31 March 2023		
Exp £'000	Income £'000	Net £'000		Exp £'000	Income £'000	Net £'000
3,759	(937)	2,822		3,656	(1,186)	2,470
15,565	(10,576)	4,989		14,315	(9,756)	4,559
12,609	(5,882)	6,727		14,270	(6,794)	7,476
2,519	(2,259)	260		2,151	(1,289)	862
34,452	(19,654)	14,798		34,392	(19,025)	15,367
2,039	(5,206)	(3,167)	11	2,114	(261)	1,853
1,349	(720)	629	12	1,429	(1,633)	(204)
3,574	(19,640)	(16,066)	13	3,824	(22,081)	(18,257)
		(3,806)				(1,241)
		(127)	23			101
		(11,282)	26			(25,568)
		(11,409)				(25,467)
		(15,215)				(26,708)

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 can be applied to fund expenditure or reduce local taxation) and other reserves.

The 'surplus or (deficit) on the provision of service' line shows the true accounting cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund (GF) Balance for Council Tax setting purposes.

The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund (GF) Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

Reserves are reported in two categories. The first category are usable reserves, i.e., those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (revaluation reserve), where amounts only become available if assets are sold. Also reserves that hold timing differences shown in the Movement in Reserves Statement "Adjustments between accounting basis and funding basis under regulations."

	<u>Usable Reserves (£'000)</u>					<u>Unusable Reserves (£'000)</u>							(£'000)
	General	Earmarked	Capital	Receipts In	Total	Financial	Collection			Accumul'd	Total	Total Authority Reserves	
	Fund (GF)	GF	Receipts	Advance	Usable	Instruments	Capital	Fund		Pension	Absences		Unusable
	Balance	Reserves	Reserve	Unapplied	Reserves	Adjustment Account	Revaluation Reserve	Adjustment Account	Adjustment Account	Reserve	Account		Reserves
Balance at 31 March 2022 carried forward	2,361	13,328	9,846	1,237	26,772	49	22,537	18,321	(4,305)	(28,278)	(79)	8,245	35,017
Movement in reserves during 2022/23													
Surplus or (deficit) on provision of services (accounting basis)	1,241	0	0	0	1,241	0	0	0	0	0	0	0	1,241
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(101)	0	0	25,568	0	25,467	25,467
Total Comprehensive Income and Expenditure	1,241	0	0	0	1,241	0	(101)	0	0	25,568	0	25,467	26,708
Adjustments between accounting basis and funding basis under regulations	(5,474)	0	587	0	(4,887)	(256)	(381)	392	6,535	(1,403)	0	4,887	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(4,233)	0	587	0	(3,646)	(256)	(482)	392	6,535	24,165	0	30,354	26,708
Transfers to/from Earmarked Reserves	4,843	(4,843)	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in year	610	(4,843)	587	0	(3,646)	(256)	(482)	392	6,535	24,165	0	30,354	26,708
Balance at 31 March 2023 carried forward	2,971	8,485	10,433	1,237	23,126	(207)	22,055	18,713	2,230	(4,113)	(79)	38,599	61,725

	Usable Reserves (£'000)					Unusable Reserves (£'000)							(£'000)
	General	Earmarked	Capital	Receipts In	Total	Financial	Collection					Total	Total Authority Reserves
	Fund (GF)	GF	Receipts	Advance	Usable	Instruments	Capital	Fund	Accumul'd		Unusable		
	Balance	Reserves	Reserve	Unapplied	Reserves	Adjustment	Revaluation	Adjustment	Adjustment	Pension	Absences	Reserves	
	Account	Reserve	Account	Account	Reserve	Account	Account	Reserve	Account	Reserves			
Balance at 31 March 2021 carried forward	6,578	9,597	4,586	1,237	21,998	(182)	22,819	18,758	(5,871)	(37,609)	(111)	(2,196)	19,802
Movement in reserves during 2021/22													
Surplus or (deficit) on provision of services (accounting basis)	3,806	0	0	0	3,806	0	0	0	0	0	0	0	3,806
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	127	0	0	11,282	0	11,409	11,409
Total Comprehensive Income and Expenditure	3,806	0	0	0	3,806	0	127	0	0	11,282	0	11,409	15,215
Adjustments between accounting basis and funding basis under regulations	(4,292)	0	5,260	0	968	231	(409)	(437)	1,566	(1,951)	32	(968)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(486)	0	5,260	0	4,774	231	(282)	(437)	1,566	9,331	32	10,441	15,215
Transfers to/from Earmarked Reserves	(3,731)	3,731	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in year	(4,217)	3,731	5,260	0	4,774	231	(282)	(437)	1,566	9,331	32	10,441	15,215
Balance at 31 March 2022 carried forward	2,361	13,328	9,846	1,237	26,772	49	22,537	18,321	(4,305)	(28,278)	(79)	8,245	35,017

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

31 March 2022 £'000		Note	31 March 2023 £'000
49,272	Property, Plant & Equipment	14	50,252
24	Heritage Assets		24
239	Investment Property	15	237
46	Intangible Assets		22
1,408	Assets held for Sale	16	0
3,700	Long Term Investments		3,445
1,832	Long Term Debtors	18	1,832
56,521	Long Term Assets		55,812
37,514	Short Term Investments		45,697
126	Inventories		136
4,154	Short Term Debtors	18	5,241
2,505	Cash and Cash Equivalents	19	1,653
44,299	Current Assets		52,727
(15)	Short Term Borrowing		(37)
(21,836)	Short Term Creditors	20	(26,375)
(2,813)	Provisions	21	(2,688)
(2,049)	Grants Receipts in Advance - Revenue	34	(308)
0	Grants Receipts in Advance - Capital	34	(700)
(26,713)	Current Liabilities		(30,108)
(1,490)	Long Term Borrowing		(1,468)
(28,278)	Pension Liability Account	38	(4,113)
(9,322)	Grants Receipts in Advance - Capital	34	(11,125)
(39,090)	Long Term Liabilities		(16,706)
35,017	Net Assets		61,725
26,772	Usable Reserves	MiRS	23,126
8,245	Unusable Reserves	22	38,599
35,017	Total Reserves		61,725

Clive Mason
Director of Resources (& s.151 Officer)
24 April 2024

CASH FLOW STATEMENT

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

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

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

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

2021/22 £'000		2022/23 £'000	Note
(3,806)	Net (surplus) / deficit on the provision of Services	(1,241)	
14,132	Adjustments to net deficit on the provision of services for non - cash movements	(1,823)	
787	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	1,102	
11,113	Net Cash flows from operating activities	(1,962)	
(12,185)	Investing activities	(8,713)	28
2,530	Financing activities	9,823	29
1,458	Net increase/(decrease) in cash and cash equivalents	(852)	
1,047	Cash and Cash equivalents at the beginning of the reporting period	2,505	
2,505	Cash and Cash equivalents at the end of the reporting period	1,653	19

NOTES TO THE FINANCIAL STATEMENTS

1) Summary of Significant Accounting Policies

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily 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 re-valuation of certain categories of non-current assets and financial instruments.

b) Changes in accounting treatment

There are no substantial changes this year.

c) Accruals of Income and Expenditure

The revenue and capital accounts of the Council are maintained on an accrual's basis in accordance with the Code. That is, activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- **Revenue from contracts with service recipients** – whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- **Employee Costs** – the full cost of employees has been included for the period 1 April 2022 to 31 March 2023. The exception to this is that the reimbursement of travel expenses is made one month in arrears, so that the amount included in the accounts covers the period 1 March 2022 to 28 February 2023. This policy has been applied consistently between years and does not have a material effect on the accounts.
- **Interest** – 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.
- **Supplies and Services** – the costs of supplies and services have been accrued and included in the accounts for the period to which they relate. All material sums unpaid at the year-end for goods and services received or works completed, have been accrued. The exception to this policy relates to quarterly utility payments (e.g. gas, electricity and water), which are charged at the date of the meter reading and are not apportioned between financial years. Again, this policy has been applied consistently between years and does not have a material effect on the accounts.

d) **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

e) **Contingent Assets and Liabilities**

Contingent assets and liabilities arise when an event has taken place that gives the Council a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the accounts but are instead disclosed by means of a note to the balance sheet, where the inflow of a receipt or economic benefit is probable.

f) **Employee Benefits**

• **Termination Benefits**

Termination benefits are amounts payable as a result of the council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Net Cost of Services line in the Comprehensive Income & Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

• **Pension Benefits**

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council, which is accounted for as a defined benefits scheme.

The attributable assets of the scheme are measured at fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The attributable liabilities of the scheme are measured 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 projected earnings for current employees.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

- **Discretionary Benefits**

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any members of staff are accrued in the year of the decision to make the

award and accounted for using the same policies applied to the Local Government Pension Scheme.

g) **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.

h) **Events after the Balance Sheet Date**

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

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

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

i) **Financial Instruments**

- **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for that particular financial instrument.

For the Council this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income & Expenditure Statement, regulations allow the impact on balances to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, unless the premium or discount is not material in amount. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

- **Financial Assets**

Financial assets are classified 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:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

- **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year of the loan agreement.

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

- **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss

model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

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

- **Financial Assets Measured at Fair Value through Other Comprehensive Income**

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in Other Comprehensive Income.

- **Financial Assets Measured at Fair Value through Profit and Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

- **Fair Value Measurements of Financial Assets**

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

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

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – observable inputs for the asset.

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

j) **Government Grants and Other Contributions**

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

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

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

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

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

k) **Overheads**

The costs of overheads and support services are not charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

l) **Property, Plant, and Equipment**

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

• **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred. The Council has a de minimis level for recognition as an asset, an item or a related group of items must have a minimum expenditure value of £5,000 excluding VAT.

- **Measurement**

Assets are initially measured at cost, comprising

- a) the purchase price
- b) any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred while assets are under construction.

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

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- All other assets are carried at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued to a five-year rolling programme, although material changes to valuations are adjusted in the interim period. To ensure all such assets have been revalued according to this policy a full revaluation as at 31 March 2019 was completed. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

- **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are

estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

- **Depreciation**

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

Where depreciation is provided for, assets are being depreciated using the straight-line method over their useful lives as advised by the valuer/suitably qualified officer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

- **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation,

amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to old housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

m) Provisions

Provisions are required for any losses or liabilities which are likely or certain to be incurred, where the amounts or dates upon which they will arise are uncertain. Where applicable, these provisions are detailed in the notes to the Core Financial Statements. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When expenditure is incurred, it is charged to the provision set up in the balance sheet.

n) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement. The equivalent proportion of the reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent useable resources for the council; these are explained in the relevant policies.

The usable capital receipts reserve is a reserve established for specific statutory purposes.

o) **Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

p) **Value Added Tax**

VAT is included in income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

q) **Charges to Revenue for Non-current Assets**

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

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

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

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

r) **Investment Property**

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

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date, unless the Authority can demonstrate that the carrying value is not materially different from the fair value.

Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

If a reliable fair value cannot be determined because comparable market transactions are infrequent and alternative reliable estimates of fair value are not available, then the asset should be accounted on a cost basis and depreciation continues to be charged.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

s) **Interests in Companies and Other Entities**

The Council has a material interest in an external entity that is classified as a subsidiary and therefore group accounts have been prepared. In the Council's single entity accounts the Council's interest is recorded as a financial asset at cost less any provision for losses.

t) **Council Tax and Non-domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for ourselves. 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 Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

u) **Fair Value Measurement of Non-Financial Assets**

The Authority's accounting policy for the fair value measurement of financial assets is set out in section i) of this note. The Authority measures some of its non-financial assets

such as surplus assets and investments at fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

2) Impact of accounting standards that have been issued but not yet adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code.

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

Accounting changes that are introduced by the 2023/24 Code are as follows.

- Definition of Accounting Estimates (Amendments to IAS 8) issued February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 14 and IRFS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 2) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IRFS 3) issued May 2020.

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

3) **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

4) **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. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the Council's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result the balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

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

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council, and they engage a firm of consulting actuaries to provide the member authorities with expert advice about the assumptions applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £5.380m. However, the assumptions interact in complex ways. During 2022/23 the actuaries advised that the net pensions liability decreased by £32.803m attributable to updating of the assumptions and increased by £5.820m as a result of estimates being corrected as a result of experience.
Property, Plant and Equipment	Assets are valued on a five-year rolling basis. Building Indices are not applied to approximate for the assets that are not subject to the revaluation process in the year.	Based on the assets that were valued in the year as part of the five-year rolling revaluation programme, the average increase in value of assets was 0.71%. If this percentage increase was also applied to the assets that were not revalued in the year, this would increase the Balance Sheet value by £302k, which is not considered material enough to warrant a full valuation of all properties.

Arrears	At 31st March 2023, Harborough District Council had a balance for sundry debtors of £2.067m. A review of significant balances resulted in a provision of £857k (41%).	If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts of 5% would result in an additional £103k needing to be set aside as an allowance.
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5) Events after the Reporting Period

The Statement of Accounts was authorised to issue by the Director of Resources on 31 May 2023 and revised on 24 April 2024, after due consideration of any post balance sheet events. The main revisions are detailed below. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

- The Council participates in the Local Government Pension Scheme (LGPS) administered by Leicestershire County Council. The LGPS's actuaries, Hyman Robertson issued their final report after 31 May 2023 and, the revised figures have been included in these financial statements.
- £700k included in the Balance Sheet as grant receipts in advance in long term-liabilities has been recategorised as a current liability, as the project plan is for related expenditure to be made within 12 months of the accounting date.
- An additional £566k was identified that needed transferring to the Capital Adjustment Account within the Reserves.

After the issue of these financial statements on 31 May 2023, the Statement of Accounts for the year ending 31 March 2022 were adopted on 28 July 2023, and the following revisions made, which are replicated in the comparatives and opening balance of these financial statements.

- At the request of the Council the LGPS's actuaries, recalculated the schemes assets and liabilities at 31 March 2022 with reference to the triennial valuation completed after that date, and the revised figures included in these financial statements.
- The Council originally disclosed a Contingent Asset with Platform Housing Group. The value of the asset was assessed, and the financial statements revised to include this as a debtor and related creditor.

6) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

EXPENDITURE AND FUNDING ANALYSIS

<u>31 March 2022</u>			Note	<u>31 March 2023</u>		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
2,411	411	2,822		2,162	308	2,470
3,606	1,383	4,989		3,393	1,166	4,559
5,374	1,353	6,727		6,268	1,208	7,476
17	243	260		731	131	862
11,408	3,390	14,798		12,554	2,813	15,367
3,049	(6,216)	(3,167)	11	4,519	(2,666)	1,853
250	379	629	12	(1,203)	999	(204)
(14,221)	(1,845)	(16,066)	13	(11,637)	(6,620)	(18,257)
486	(4,292)	(3,806)	9	4,233	(5,474)	(1,241)
(16,175)		Opening General Fund Balance (restated)		(15,689)	(note 10)	
486		Less Deficit/(Surplus) on General Fund		4,233		
(15,689)		Closing General Fund Balance		(11,456)		

7) Notes to Movement In Reserves Statement

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

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The general fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the general fund balance, which is not necessarily in accordance with proper accounting practice. The general fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The capital receipts reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure or revenue expenditure where statutory flexibility is allowed. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2022/23	Usable Reserves (£'000)				Unusable Reserves (£'000)						
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments involving the Capital Adjustment Account											
Reversal of Items DR/CR to the CIES											
Charges for Depreciation and impairment of non-current assets	(1,349)	0	0	(1,349)	0	381	968	0	0	0	1,349
Amortisation of intangible assets	(23)	0	0	(23)	0	0	23	0	0	0	23
Capital grants and contributions applied	1,756	0	0	1,756	0	0	(1,756)	0	0	0	(1,756)
Revenue expenditure funded from capital under statute	(2,452)	0	0	(2,452)	0	0	2,452	0	0	0	2,452
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,268)	0	0	(1,268)	0	0	1,268	0	0	0	1,268
Insertion of items not DR/CR to the CIES											
Statutory provision for the financing of capital investment	363	0	0	363	0	0	(363)	0	0	0	(363)
Capital expenditure charged against the GF	1,901	0	0	1,901	0	0	(1,901)	0	0	0	(1,901)
Adjustments primarily involving the Capital Grants Unapplied Account											
Capital grant and contributions unapplied credited to the CIES	0	0	0	0	0	0	0	0	0	0	0
Application of grants to capital financing	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve											
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	1,670	(1,670)	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,083	0	1,083	0	0	(1,083)	0	0	0	(1,083)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the deferred Capital Receipts Reserve											
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account											
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(256)	0	0	(256)	256	0	0	0	0	0	256
Adjustments primarily involving the Pension Reserve											
Reversal of items relating to retirement benefits DR/CR to CIES	(3,261)	0	0	(3,261)	0	0	0	0	3,261	0	3,261
Employers pension contributions and direct payments to pensioners payable in the year	1,858	0	0	1,858	0	0	0	0	(1,858)	0	(1,858)
Adjustments primarily involving the Collection Fund Adjustments Account											
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	6,535	0	0	6,535	0	0	0	(6,535)	0	0	(6,535)
Adjustment primarily involving Accumulated Absences Account											
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0	0	0	0	0	0
Total Adjustments	5,474	(587)	0	4,887	256	381	(392)	(6,535)	1,403	0	(4,887)

2021/22	Usable Reserves (£'000)				Unusable Reserves (£'000)						
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments Involving the Capital Adjustment Account											
Reversal of Items DR/CR to the CIES											
Charges for Depreciation and impairment of non-current assets	(1,396)	0	0	(1,396)	0	409	987	0	0	0	1,396
Amortisation of intangible assets	(28)	0	0	(28)	0	0	28	0	0	0	28
Capital grants and contributions applied	1,224	0	0	1,224	0	0	(1,224)	0	0	0	(1,224)
Revenue expenditure funded from capital under statute	(1,602)	0	0	(1,602)	0	0	1,602	0	0	0	1,602
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(532)	0	0	(532)	0	0	532	0	0	0	532
Insertion of Items not DR/CR to the CIES											
Statutory provision for the financing of capital investment	377	0	0	377	0	0	(377)	0	0	0	(377)
Capital expenditure charged against the GF	632	0	0	632	0	0	(632)	0	0	0	(632)
Adjustments primarily involving the Capital Grants Unapplied Account											
Capital grant and contributions unapplied credited to the CIES	0	0	0	0	0	0	0	0	0	0	0
Application of grants to capital financing	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve											
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	5,739	(5,739)	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	479	0	479	0	0	(479)	0	0	0	(479)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the deferred Capital Receipts Reserve											
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0	0	0	0	0	0	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account											
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	231	0	0	231	(231)	0	0	0	0	0	(231)
Adjustments primarily involving the Pension Reserve											
Reversal of items relating to retirement benefits DR/CR to CIES	(4,051)	0	0	(4,051)	0	0	0	0	4,051	0	4,051
Employers pension contributions and direct payments to pensioners payable in the year	2,100	0	0	2,100	0	0	0	0	(2,100)	0	(2,100)
Adjustments primarily involving the Collection Fund Adjustments Account											
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	1,566	0	0	1,566	0	0	0	(1,566)	0	0	(1,566)
Adjustment primarily involving Accumulated Absences Account											
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	32	0	0	32	0	0	0	0	0	(32)	(32)
Total Adjustments	4,292	(5,260)	0	(968)	(231)	409	437	(1,566)	1,951	(32)	968

8) Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the general fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet general fund expenditure in 2022/23.

The Council's policy is that the general fund unallocated balance is maintained at 20% of the Council's net expenditure with the balance transferred to the budget surplus reserve and reallocated against other earmarked reserves.

Reserve	Balance 1 April 2021 £'000	Transfers Out £'000	Transfers In £'000	Balance 31 March 2022 £'000	Transfers Out £'000	Transfers In £'000	Balance 31 March 2023 £'000
Budget Surplus Reserve	0	1,274	(1,274)	0	1,824	(1,824)	0
Covid-19 Internal Recovery Reserve	(7,637)	4,718	(1,252)	(4,171)	2,372	0	(1,799)
Projects, Risks & Smoothing Reserve	(316)	0	(735)	(1,051)	1,948	(3,135)	(2,238)
Capital & Contracts Reserve	(1,081)	519	(1,326)	(1,888)	636	(349)	(1,601)
Transformation Reserve	(1,753)	0	(84)	(1,837)	1,000	0	(837)
Community, Economic & Infrastructure Reserve	(2,411)	1,271	(307)	(1,447)	947	(500)	(1,000)
Commercial Investment Reserve	(1,890)	281	(1,325)	(2,934)	2,424	(500)	(1,010)
	(15,088)	8,063	(6,303)	(13,328)	11,151	(6,308)	(8,485)

9) Expenditure and Income analysed by Nature

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

2021/22 £'000		2022/23 £'000
	Expenditure/Income	
	Expenditure	
11,394	Employee benefits expenses	10,687
24,266	Other services expenses	23,503
1,192	Depreciation, amortisation, impairment	1,398
75	Interest payments	75
2,039	Precepts and levies	2,114
(5,206)	Gain on the disposal of assets	(261)
33,760	Total expenditure	37,516
	Income	
(6,484)	Fees, charges, and other service income	(6,351)
(199)	Interest and investment income	(1,172)
(12,631)	Income from council tax and non-domestic rates	(15,373)
(18,252)	Government grants and contributions	(15,861)
(37,566)	Total income	(38,757)
(3,806)	(Surplus) / Deficit on the Provision of Services	(1,241)

10) Expenditure and Funding Note

2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Interim Chief Executive	160	148	0	308
Interim Deputy Chief Executive	1,042	124	0	1,166
Communities & Wellbeing	951	257	0	1,208
Planning & Regeneration	0	131	0	131
Net Cost of Services	2,153	660	0	2,813
Other Operating Expenditure	(2,666)	0	0	(2,666)
Financing and Investment Income and Expenditure	256	743	0	999
Taxation and Non-specific Grant Income	(85)	0	(6,535)	(6,620)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(342)	1,403	(6,535)	(5,474)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Chief Executive	0	22	(1)	21
Deputy Chief Executive	123	170	(5)	288
Communities & Wellbeing	826	140	(7)	959
Finance & Assets	923	498	(5)	1,416
Law & Governance	175	295	(7)	463
Planning & Regeneration	0	249	(6)	243
Net Cost of Services	2,047	1,374	(31)	3,390
Other Operating Expenditure	(6,216)	0	0	(6,216)
Financing and Investment Income and Expenditure	(197)	577	(1)	379
Taxation and Non-specific Grant Income	(279)	0	(1,566)	(1,845)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(4,645)	1,951	(1,598)	(4,292)

Note a) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for these 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 without conditions or for which conditions are satisfied throughout the year. The Taxation and Non-

Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note b) Net change for the Pensions Adjustments

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

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

Note c) Other Differences

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

- **For financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that is projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

11) Other Operating Expenditure

Exp £'000	Income £'000	2021/22 £'000		Exp £'000	Income £'000	2022/23 £'000
2,039 0	0 (5,206)	2,039 (5,206)	Precepts paid to Parish Councils Gains on Disposal of Non-Current Assets	2,114 0	0 (261)	2,114 (261)
2,039	(5,206)	(3,167)	Other Operating Expenditure	2,114	(261)	1,853

12) Financing and Investment Income and Expenditure

Exp £'000	Income £'000	2021/22 £'000		Exp £'000	Income £'000	2022/23 £'000
75 0	0 (143)	75 (143)	Interest Payable and Similar Charges Interest Receivable and Similar Income	75 0	0 (1,019)	75 (1,019)
0	(1)	(1)	Income and Expenditure in relation to Investment Properties and changes in their Fair Value	2	0	2
0	(231)	(231)	Gain/Loss on Financial Assets at Fair Value through Profit and Loss	256	0	256
203	0	203	Impairment Allowance	0	(159)	(159)
763	0	763	Net Interest on the Net Defined Benefit Liability/Asset	743	0	743
0	(56)	(56)	Other Investment Income	0	(153)	(153)
308	(289)	19	Total net deficit from Market Hall Trading Operation	353	(302)	51
1,349	(720)	629	Financing and Investment Income and Expenditure	1,429	(1,633)	(204)

13) Taxation and Non-specific Grant Income and Expenditure

Exp £'000	Income £'000	2021/22 £'000		Exp £'000	Income £'000	2022/23 £'000
0	(3,155)	(3,155)	Non-ringfenced Government Grants	0	(2,799)	(2,799)
1,357	(1,357)	0	Government Covid-19 Grants	0	0	0
0	(279)	(279)	Capital Grants & Contributions	0	(85)	(85)
2,217	(6,261)	(4,044)	Non-Domestic Rates Income and Expenditure	3,824	(10,212)	(6,388)
0	(8,588)	(8,588)	Council Tax Income	0	(8,985)	(8,985)
3,574	(19,640)	(16,066)	Taxation and Non-specific Grant Income and Expenditure	3,824	(22,081)	(18,257)

14) Property, Plant and Equipment

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation						
At 31st March 2022	48,493	3,650	430	1,814	512	54,899
Additions	148	61	0	1858	131	2,198
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	(55)	0	0	0	0	(55)
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0
Reclassifications: - to Held for Sale - Other Assets	0	0	0	0	0	0
At 31st March 2023	48,586	3,711	430	3,672	643	57,042
Accumulated Depreciation and Impairment						
At 31st March 2022	(2,567)	(2,664)	(104)	(292)	0	(5,627)
Depreciation	(839)	(292)	(9)	(23)	0	(1,163)
Depreciation written out to Revaluation reserve	0	0	0	0	0	0
At 31st March 2023	(3,406)	(2,956)	(113)	(315)	0	(6,790)
Net Book Value						
At 31st March 2023	45,180	755	317	3,357	643	50,252
At 31st March 2022	45,926	986	326	1,522	512	49,272

Comparative movements in 2021/22

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation						
At 31st March 2021	48,148	3,490	430	1,800	430	54,298
Additions	376	160	0	14	284	834
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	(155)	0	0	0	0	(155)
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	114	0	0	0	0	114
Derecognition - Other	0	0	0	0	178	178
Reclassifications: - to Held for Sale - Other Assets	10	0	0	0	(380)	(370)
At 31st March 2022	48,493	3,650	430	1,814	512	54,899
Accumulated Depreciation and Impairment						
At 31st March 2021	(1,793)	(2,350)	(95)	(269)	0	(4,507)
Depreciation	(828)	(314)	(9)	(23)	0	(1,174)
Depreciation written out to Revaluation reserve	54	0	0	0	0	54
At 31st March 2022	(2,567)	(2,664)	(104)	(292)	0	(5,627)
Net Book Value						
At 31st March 2022	45,926	986	326	1,522	512	49,272
At 31st March 2021	46,355	1,140	335	1,531	430	49,791

a) **Depreciation**

All assets which attract a charge for depreciation are depreciated using the straight-line method, assuming no residual value. The valuers have assessed the remaining useful life of each asset as part of the valuation exercise. The Council has taken these estimated useful lives into account when calculating depreciation. For each category of asset, the useful lives used are as follows:

- Land and buildings – Buildings: minimum 10 years, maximum 50 years; Land is not depreciated (in line with the Code and standard practice);
- Vehicles, plant, and equipment – minimum 5 years, maximum 10 years;
- Infrastructure assets – Buildings 25 years.

Certain assets have not been depreciated for the following reasons:

- Community assets – mainly freehold land which is not depreciable.

b) **Capital Commitments**

At 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £2.044m. Similar commitments at 31 March 2022 were £1.514m. The major commitments are:

Scheme	Contracted Work	£'000
S106 Grant Panel Awards	Various	2,044
		2,044

c) **Valuation of Plant, Property and Equipment**

The Council's policy with regard to the valuation of tangible fixed assets is that assets held in the balance sheet at fair value are formally revalued to a five-year rolling programme, although any material changes to valuations are adjusted in the interim period. During 2018/19 all fixed assets were revalued to provide a baseline for the continuation of the rolling programme from 2019/20 onwards. Assets were revalued at 31 January 2023 with a valuation date of 31 March 2023.

Where not explicitly stated otherwise, revaluations have been completed by Mr G Harbord MA MRICS IRRV (Hons) a qualified valuer and a partner of Wilks Head & Eve LLP.

The significant assumptions applied in estimating fair values are:

- that good title can be shown, and all valid planning permissions and statutory approvals are in place
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted
- that an inspection of those parts not inspected would not reveal defects that would affect valuation

- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation

Land and Buildings / Asset Held for Sale – valued in accordance with International Financial Reporting Standards as applied to the United Kingdom public sector interpreted by the current CIPFA Code of Practice for Local Authority Accounting.

The valuations are made in accordance with the Red Book Valuation, in so far as they are consistent with the IFRS standards and CIPFA interpretation, (RICS UKVS 1.12).

Any departure from these standards is listed below:

- the instant building approach has been adopted. For assets valued at depreciated replacement cost, no building periods, nor consequential finance costs have been reflected in their valuations, this has been valued in accordance with UKVS 1.15 in addition to UKGN2 of the red book.

Vehicles, Plant, etc. Infrastructure, Community & AUC Assets – based on Historic Cost.

	Other Land and Buildings	VPE, Infrastructure, Community, Surplus & AUC	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000
Valued at Historic Cost:				
31 March 2022	0	3,300	0	3,300
31 March 2023	0	5,073	0	5,073
Valued at Fair Value:				
31 March 2022	45,925	0	1,408	47,333
31 March 2023	45,180	0	0	45,180

15) Investment Properties

Land at the former Cattle Market site

The Council, as lessor, maintains an operating lease with Sainsbury's Supermarkets Ltd for land at the former cattle market site, now used as a retail park, with integrated car parking. The freehold remains an asset of the Authority.

The lease of the land is for a period of 80 years expiring on 22 December 2071. Annual rental is the sum of one peppercorn (if demanded).

Initial cost of the asset predates 1992. Fair value, should the Council determine to sell the asset to the lessee, is £1.00, according to the terms of the lease.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Welland Park Cafe

The Council, as lessor, maintains an operating lease for the café premises at Welland Park. The freehold remains an asset of the authority.

The lease of the premise is for a period of 5 years which expired on 31 July 2020. Annual rental has been set at a level consistent with current market rates. Under the Landlord and Tenant Act the lease has continued under the same terms while talks are ongoing around a new lease.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Doddridge Road Office (Jubilee Memorial Hall)

The Council, as lessor, maintains an operating lease for the office premises at Doddridge Road to HF Trust Ltd. The freehold remains an asset of the authority.

A new lease for these premises was signed in 2022 for a period of six years expiring on 8 May 2028. Annual rental has been set at a level consistent with current market rates.

At the end of the lease period, vacant possession of the premises is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Land at Symingtons Recreation Ground

The Council, as lessor, maintains an operating lease for a parcel of land (the former Symington Recreation Bowling Club) at the Symington Recreation Ground to Harborough Youth and Community Trust, including a building constructed under a licence to alter, which will revert to the Council on expiry of the lease. The freehold remains an asset of the authority.

The lease of the land is for a period of 28 years expiring on 8 August 2040. Annual rental is the sum of one peppercorn (if demanded).

At the end of the lease period, vacant possession of the land (and premises) is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	238	239
Net Gain / (Loss) from Fair Value Adjustments	1	(2)
Balance at 31 March	239	237

16) Assets held for Sale

	Non-current	
	2021/22 £'000	2022/23 £'000
Balance at 1 April	1,985	1,408
Assets newly classified as held for sale:		
- Property, Plant & Equipment	0	0
Impairment Losses	(108)	0
Assets Sold	(532)	(1,408)
Other Movements:		
- Disposal Costs	63	0
Balance at 31 March	1,408	0

17) Financial Instruments Balances

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity.

- Financial Assets and Liabilities**

The following categories of financial instrument are carried in the balance sheet:

Financial Assets

	Non-Current				Current				
	Investments		Debtors		Investments		Debtors		Total
	31/3/22 £'000	31/3/23 £'000	31/3/22 £'000	31/3/23 £'000	31/3/22 £'000	31/3/23 £'000	31/3/22 £'000	31/3/23 £'000	31/3/23 £'000
Fair Value through Profit and Loss	1,550	1,295	0	0	0	0	50	228	1,523
Amortised Cost	2,150	2,150	1,832	1,832	40,019	47,350	0	0	51,332
Total Financial Assets	3,700	3,445	1,832	1,832	40,019	47,350	50	228	52,855
Non-Financial Assets	0	0	0	0	0	0	3,119	4,028	4,028
Total	3,700	3,445	1,832	1,832	40,019	47,350	3,169	4,256	56,883

Financial Liabilities

	Non-Current				Current				
Fair Value through Profit and Loss Amortised Cost Total Financial Liabilities Non-Financial Liabilities Total	Borrowings		Creditors		Borrowings		Creditors		Total
	31/3/22 £'000	31/3/23 £'000	31/3/22 £'000	31/3/23 £'000	31/3/22 £'000	31/3/23 £'000	31/3/22 £'000	31/3/23 £'000	31/3/23 £'000
	0	0	0	0	0	0	(91)	(75)	(75)
	(1,490)	(1,468)	0	0	(15)	(37)	0	0	(1,505)
	(1,490)	(1,468)	0	0	(15)	(37)	(91)	(75)	(1,580)
	0	0	0	0	0	0	(20,760)	(25,315)	(25,315)
	(1,490)	(1,468)	0	0	(15)	(37)	(20,851)	(25,390)	(26,895)

- Income, Expense, Gains and Losses**

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

	2021/22	2022/23
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	£'000	£'000
Net gains/losses on:		
Financial assets measured at fair value through profit or loss	(231)	256
Total net gains/losses	(231)	256
Interest revenue:		
Financial assets measured at amortised cost	(143)	(1,019)
Other financial assets measured at fair value through profit or loss	(56)	(153)
Total interest revenue	(199)	(1,172)
Interest expense	75	75

- Fair Value of Financial Assets**

Some of the Council's financial assets are measured in the Balance Sheet at fair value on a recurring basis and are described in the following table, included the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2022 Fair Value	31 March 2023 Fair Value
			£'000	£'000
Fair Value through Profit and Loss				
CCLA Property Fund	Level 1	Unadjusted quoted price in active markets for identical shares	1,550	1,295

The Council holds 456,149 units in the CCLA Property Fund, the fair value has been calculated using the bid price which has been supplied by the fund manager. The other long-term investment is shares in the Council's wholly owned subsidiary Harborough District Commercial Services Ltd which are carried at historic cost as group accounts are prepared.

Except for the financial assets above, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, new loan rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation.
- No early repayment of impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31-Mar-22		31-Mar-23	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	(1,490)	(2,356)	(1,490)	(1,607)
Short term creditors	(91)	(91)	(75)	(75)
Total Liabilities	(1,581)	(2447)	(1,565)	(1,682)

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

The council has used the new loan rate to calculate the fair value of the PWLB debt above. The fair value based on the premature repayment rate is £1.588m. These measure the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

	31-Mar-22		31-Mar-23	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Short term investments	39,514	39,514	45,697	45,697
Long term investments	3,700	3,700	3,445	3,445
Short term debtors	50	50	228	228
Long term debtors	1,832	1,832	1,832	1,832
Total Assets	45,096	45,096	51,202	51,202

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

18) Debtors

Short Term

	2021/22 £'000	2022/23 £'000
Trade Receivables	846	1,283
Accrued Income	1,087	941
Collection Fund Debtors	534	562
Other Receivable Amounts	1,687	2,455
Total	4,154	5,241

Long Term

	2021/22 £'000	2022/23 £'000
Loan to Subsidiary Company	1,832	1,832
Total	1,832	1,832

19)Cash and Cash Equivalents

	2021/22 £'000	2022/23 £'000
Bank Current Accounts	505	1,653
Short-term Deposits with Building Societies	2,000	0
Total	2,505	1,653

20)Creditors

	2021/22 £'000	2022/23 £'000
Trade Payables	(134)	(161)
Accrued Expenditure	(1,775)	(2,356)
Collection Fund Creditors	(8,262)	(19,049)
Other Payables	(11,665)	(4,809)
Total	(21,836)	(26,375)

21)Provisions

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability.

During 2022/23 a thorough review of the provision was undertaken reflecting settlement of a number of appeals by the Valuation Office and an assessment of potential liabilities in the future.

	Business Rates Appeals Provision £'000	Outstanding Legal Cases £'000	Total £'000
Balance at 1 April	(2,731)	(82)	(2,813)
Additional provision made in year	0	0	0
Amounts used in year	22	63	85
Unused amounts reversed in year	40	0	40
Balance at 31 March	(2,669)	(19)	(2,688)

22) Unusable reserves

	Note	31 March 2022 £'000	31 March 2023 £'000
Financial Instruments Adjustment Account		(49)	207
Revaluation Reserve	23	(22,537)	(22,055)
Capital Adjustment Account	24	(18,321)	(18,713)
Collection Fund Adjustment Account	25	4,305	(2,230)
Pensions Reserve	26	28,278	4,113
Accumulated Absences Account		79	79
Total Unusable Reserves		(8,245)	(38,599)

23) Revaluation reserve

	2021/22 £'000	2022/23 £'000
Balance at 1st April	(22,819)	(22,537)
Upward revaluation of assets	(186)	(221)
Downward revaluation of assets	59	322
	(127)	101
Impairment losses not charged to the surplus/deficit on the provision of services	192	0
Accumulated gains on assets sold or scrapped	0	140
Difference between fair value depreciation & historical cost depreciation	217	241
Balance at 31st March	(22,537)	(22,055)

24) Capital Adjustment Account

	2021/22 £'000	2022/23 £'000
Balance as at 1st April	(18,758)	(18,321)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment of non-current assets	1,174	1,161
Revaluation losses on property, plant, and equipment	223	46
Amortisation of Intangible assets	28	23
Revenue expenditure funded from Capital under Statute	1,602	2,452
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	532	1,408
	3,559	5,090
Adjusting amounts written out of the Revaluation Reserve	(409)	(381)
Net written off amount on the cost of non-current assets consumed in the year	3,150	4,709
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(479)	(1,083)
Capital expenditure charged against the General Fund balances	(632)	(1,901)
Capital grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	(1,224)	(1,756)
Statutory provision for the financing of capital investment charged against the General Fund balances	(377)	(363)
	(2,712)	(5,103)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(1)	2
Balance as at 31st March	(18,321)	(18,713)

25) Collection Fund Adjustment Account

	2021/22 £'000	2022/23 £'000
Balance at 1 April	5,871	4,305
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,566)	(6,535)
Balance at 31 March	4,305	(2,230)

26) Pension Reserve

	2021/22 £'000	2022/23 £'000
Balance at 1 April	37,609	28,278
Remeasurements of the net defined benefit liability/(asset)	(11,282)	(25,568)
Reversal of items relating to retirement benefits credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	4,051	3,261
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,100)	(1,858)
Balance at 31 March	28,278	4,113

27) Cash Flow Statement – Operating Activities

	2021/22 £'000	2022/23 £'000
Interest received	143	1,019
Interest paid	(75)	(75)
Dividends received	56	153
	124	1,097

28)Cash Flow Statement – Investing Activities

	2021/22 £'000	2022/23 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(910)	(2,199)
Purchase of short-term and long-term investments	(17,013)	(8,183)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,738	1,669
Net cash flows from investing activities	(12,185)	(8,713)

29)Cash Flow Statement – Financing Activities

	2021/22 £'000	2022/23 £'000
Other receipts from financing activities	2,530	9,954
Other payments for financing activities	0	(131)
Net cash flows from financing activities	2,530	9,823

30)Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities

	01 April 2022 £'000	Financing Cashflows £'000	Non-Cash Changes £'000	31 March 2023 £'000
Long Term Borrowing	(1,490)	0	22	(1,468)
Short Term Borrowing	(15)	0	(22)	(37)
Total Liabilities from Financing Activities	(1,505)	0	0	(1,505)

	01 April 2021 £'000	Financing Cashflows £'000	Non-Cash Changes £'000	31 March 2022 £'000
Long Term Borrowing	(1,490)	0	0	(1,490)
Short Term Borrowing	(15)	0	0	(15)
Total Liabilities from Financing Activities	(1,505)	0	0	(1,505)

31)Members Allowances

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

	2021/22 £'000	2022/23 £'000
Allowances	281	296
Expenses	17	19
Total	298	315

32)Officers' Remuneration

The Council is required to disclose the number of officers whose remuneration in the year amounted to £50,000 or more, starting at that level and rising in bands of £5,000. For this purpose, remuneration is deemed to be the total of all sums paid to or receivable by an officer, sums due by way of expense allowances, and the monetary value of benefits received other than in cash. Pension contributions payable by either the employee or the Council are excluded. The following tables both include senior officers of the Council.

Remuneration Band	2021/22 No.	2022/23 No
£50,000 to £54,999	6	4
£55,000 to £59,999	6	13
£60,000 to £64,999	1	0
£65,000 to £69,999	1	0
£70,000 to £74,999	0	0
£75,000 to £79,999	2	0
£80,000 to £85,999	0	2
£85,000 to £89,999	1	0
£90,000 to £94,999	0	0
£95,000 to £99,999	0	0
£100,000 to £104,999	0	0
£105,000 to £109,999	0	0
£110,000 to £114,999	1	1
£115,000 to £119,999	0	0
£120,000 to £124,999	0	0
£125,000 to £129,999	1	0

The remuneration of Senior Officers whose salary was more than £50,000 in 2022/23 is as follows:

Post Holder		Salary, Fees and Allowances	Expense Allowances	Pension Contributions	Total
Interim Chief Executive (Deputy Chief Executive – see note a)	2022/23 2021/22	112,700 88,364	674 240	37,350 27,173	150,724 115,777
Interim Deputy Chief Executive (Director Finance, ICT & Assets – see note b)	2022/23 2021/22	83,009 77,663	280 290	27,562 23,903	110,851 101,856
Director Communities and Wellbeing (note c) (Interim started October 2022)	2022/23	34,017	66	11,302	45,385
(Interim left October 2022)	2022/23	46,373	140	15,538	62,051
(Interim started December 2021)	2021/22	24,844	80	32,554	57,478
(Left October 2021)	2021/22	43,651	328	13,437	57,416
Director Planning & Regeneration	2022/23 2021/22	79,588 76,141	523 315	26,450 23,434	106,561 99,890
Total	2022/23	355,687	1,683	118,202	475,572
Total	2021/22	310,663	1,253	120,501	432,417

No amounts included in the above table are outside the Council's policies in respect of Salary, Benefits, Expenses, Redundancy or Pensions.

Notes

a) The Deputy Chief Executive has been acting as Interim Chief Executive since February 2022.

b) The Director Finance, ICT & Assets has been acting as Director of Resources since July 2022.

c) The Director Communities and Wellbeing, the original post holder left in October 2021 and was replaced by an interim who left in October 22, who has been replaced by another interim.

d) An interim Monitoring Officer, who was paid through an agency is not included in the table above. £114,880 was paid to the agency during 2022/23 for this arrangement.

33) External Audit Cost

Harborough District Council incurred the following costs in relation to the audit of the statement of accounts:

	2021/22 £'000	2022/23 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	92	38
	92	38

34) Grant Income and Other Contributions

a) In 2022/23, Harborough District Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

	2021/22 £'000	2022/23 £'000
Credited to Taxation and Non-Specific Grant Income and Expenditure		
Small Business Rate Relief Section 31 Grant	(3,092)	(3,730)
New Home Bonus	(2,057)	(2,331)
Other DLUHC	(1,098)	(468)
Capital Grant and Contributions	(279)	(85)
Government Covid-19 Grants	(1,357)	0
	(7,883)	(6,614)
Credited to Services		
Rent Allowance Subsidy	(7,657)	(7,530)
Housing Benefit Admin Grant	(169)	(170)
NNDR Cost of Collection	(129)	(129)
Other DLUHC	(817)	(219)
DWP	(98)	(84)
Leicestershire County Council	(315)	(104)
Other Specific grants	(46)	(35)
Disabled Facilities / Lightbulb Project	(401)	(475)
Other REFCUS	(544)	(1,185)
Government Covid-19 Grants	(337)	(96)
	(10,513)	(10,027)

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

Revenue Grants Receipts in Advance	31/03/2022 £'000	31/03/2023 £'000
Covid 19 Additional Relief Fund (CARF)	(1,844)	0
Other Specific Grants	(205)	(308)
	(2,049)	(308)

Capital Grants Receipts in Advance	31/03/2022 £'000	31/03/2023 £'000
Current Liabilities		
Other Capital Grant	0	(700)
	0	(700)
Long Term Liabilities		
S.106 Developer Contributions	(8,988)	(9,850)
Other Capital Grant	(334)	(1,275)
	(9,322)	(11,125)

35) Related Party Transactions

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

- a) **Central Government** has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g., council tax bills, housing benefits). See note 34 Grant Income for further information.
- b) **Other public bodies** Leicestershire County Council, the Combined Fire Authority, the Police & Crime Commissioner for Leicestershire, and Parish Councils all issue precepts on the Council which are included in the Collection Fund.
Blaby District Council provides a building control service as part of a partnership comprising of five Councils. They also provide the Light Bulb Project, a service which helps older and vulnerable Leicestershire residents stay safe and well in their own homes.
Hinckley & Bosworth Borough Council provide a Revenues and Benefits service as part of a partnership comprising of three Councils.
Charnwood Borough Council provided a contact centre service until October 2022.
- c) **Members of the Council** have direct control over the Council's financial and operating policies. All contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests which is open to public inspection. See note 31 for Member Allowance details. During 2022/23 there were no significant payments to or receipts from parties in which Members had an interest.
- d) **Officers of the Council** reported no related party transactions apart from that noted in e) below.
- e) **Entities controlled by the Council**
The Council controls Harborough District Commercial Services Ltd through its ownership of 100% of the shares of the company (2,150,000 ordinary shares of £1 each). 2018/19 was the first year of operation. The Council has provided a loan facility to the company of up to £2,522,500 and up to £100,000 solely for working capital purposes. On 15 March 2019, a long term (40 years) loan of £1,832,141 was made towards the acquisition of property. Interest is charged at 6%.

The Council's Interim Chief Executive, Elizabeth Elliot is a director of the company.

Harborough District Commercial Services Ltd has been consolidated into the Council's Group Accounts.

36) Capital Expenditure and Sources of Finance

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

	2021/22 £'000	2022/23 £'000
Opening Capital Financing Requirement	14,490	14,113
<u>Capital Investment:</u>		
Property, Plant and Equipment	911	2,199
Revenue Expenditure Funded from Capital Under Statute	1,424	1,975
<u>Sources of Finance:</u>		
Capital Receipts	(479)	(1,083)
Direct Revenue Funding	(632)	(1,901)
Government Grants & Other Contributions	(1,224)	(1,756)
Sums set aside from Revenue (including MRP)	(377)	(363)
Closing Capital Financing Requirement	14,113	13,184
Movement in Year	(377)	(929)
<u>Explanation of Movements in Year:</u>		
Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(377)	(929)
Increase/(Decrease) in Capital Financing Requirement	(377)	(929)

37) Termination Benefits

Termination Benefits Band	Number of Compulsory Redundancies		Number of Other Departures		Total number of Exit packages		Total cost of exit packages £000's	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 to £20,000	3	2	7	2	10	4	135	34
£20,001 to £40,000	0	0	0	2	0	2	0	68
	3	2	7	4	10	6	135	102

38) Defined Benefit Pension Scheme

a) Participation in the Pension Scheme

Harborough District Council offers retirement benefits to its staff as part of their terms and conditions of employment. Though these benefits are not payable until employees reach retirement, the Council is committed to making the payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit pension scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets. In addition, the Council has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme, the estimated outstanding liability for which was £718k at 31 March 2023 (£881k at 31 March 2022).

b) Transactions Relating to Post-employment Benefits

The cost of retirement benefits is accounted for in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the 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.

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
Service Cost				
Current Service Cost	3,033	2,518		
Past Service Cost (including curtailments)	255	0	0	0
Total Service Cost	3,288	2,518	0	0
Financing & Investment				
Interest income on scheme assets	(1,140)	(1,718)		
Interest cost on defined benefit obligation	1,881	2,433	22	28
Total net interest	741	715	22	28
Total Post-Employment Benefits charged to the surplus or deficit on the provision of services Remeasurements of the Net Defined Liability comprising:	4,029	3,233	22	28
Return on plan assets excluding amounts included in net interest	5,488	(2,498)	0	0
Actuarial (gains)/ losses arising from changes in demographic assumptions	1,221	(158)	0	0
Actuarial (gains)/losses arising from changes in financial assumptions	5,538	32,865	149	123
Other	(1,114))	(4,764)	0	0
Total remeasurements recognised in other comprehensive income	11,133	25,445	149	123
Total Post-Employment benefits charged to the Comprehensive Income & Expenditure Statement.	15,162	28,678	171	151
<u>Movement in Reserves Statement:</u>				
Reversal of net charges made to the surplus on provision of services	(4,029)	(3,233)	(22)	(28)
<u>Actual amount charged against the General Fund Balance for pensions in the year:</u>				
Employers' contributions payable to the scheme	2,033	1,790		
Retirement benefits payable to pensioners			67	68

The Actuary has projected the total Pension Expense for the year to 31 March 2024 at £1.257m.

c) **Pensions Assets and Liabilities recognised in the Balance Sheet**

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

	31 March 2022 £'000	31 March 2023 £'000
Fair value of plan assets	61,656	60,655
Present value of funded liabilities	(89,053)	(64,050)
Present value of unfunded liabilities	(881)	(718)
Net Liability arising from defined benefit obligation	(28,278)	(4,113)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability of £4.113m has an impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions to the scheme over the remaining working life of employees, in the light of the performance of the fund as assessed by the scheme actuary.

A reconciliation of present of scheme liabilities (defined benefit obligation) is calculated as follows:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Opening balance at 1 April	93,430	89,053	1,075	881
Current Service Cost	3,033	2,518		
Interest Cost	1,881	2,433	22	28
Contributions by Members	398	372		
Remeasurement gain				
Actuarial (gains)/losses arising from changes in demographic assumptions	(1,221)	158		
Actuarial (gains)/losses arising from changes in financial assumptions	(5,538)	(32,865)	(149)	(123)
Other	(1,029)	4,790		
Past Service Costs	255	0		
Estimated Unfunded benefits Paid			(67)	(68)
Benefits Paid	(2,156)	(2,409)		
Closing Balance at 31 March	89,053	64,050	881	718

The reconciliation of the movements in fair value of scheme (plan) assets is shown below.

	2021/22 £'000	2022/23 £'000
Opening fair value of scheme assets at 1 April	56,896	61,656
Interest income on plan assets	1,140	1,718
Contributions from employees into the scheme	398	372
Contributions by the Employer	2,033	1,790
Remeasurement gain:		
Return on assets excluding amounts included in net interest	5,488	(2,498)
Other experience	(2,143)	26
Benefits Paid	(2,156)	(2,409)
Closing fair value of scheme assets at 31 March	61,656	60,655

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 at the balance sheet date and returns on equities reflect long term real rates of return in the respective markets.

Pension Scheme assets are comprised of:

Asset category	Period ended 31 March 2022				Period ended 31 March 2023			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percent age of Total Assets %	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percent age of Total Assets %
Equity Securities:								
Consumer	71.7		71.7	0%	6.4		6.4	0%
Manufacturing	8.9		8.9	0%	30.4		30.4	0%
Energy & Utilities	88.7		88.7	0%	62.7		62.7	0%
Financial Institutions	124.6		124.6	0%	19.2		19.2	0%
Health & Care	50.0		50.0	0%	10.4		10.4	0%
Information Technology	25.7		25.7	0%	11.7		11.7	0%
Other	144.5		144.5	0%	49.7		49.7	0%
Debt Securities:								
UK Government	3,087.9	7.3	3,095.2	5%	2,786.3	7.2	2,793.5	5%
Other	115.6		115.6	0%	256.2		256.2	0%
Private Equity:								
All		4,123.3	4,123.3	7%		4,152.6	4,152.6	7%
Real Estate:								
UK Property		4,743.7	4,743.7	8%		4,298.6	4,298.6	7%
Investment Funds and Unit Trusts:								
Equities	17,668.4	10,719.3	28,387.7	46%	26,429.8	130.0	26,559.8	44%
Bonds				0%				0%
Hedge Funds				0%	0.3			0%
Commodities		1,547.2	1,547.2	3%		1,557.9	1,557.9	3%
Infrastructure		3,223.6	3,223.6	5%		4,961.9	4,961.9	8%
Other	5,242.1	7,422.2	12,664.3	21%	8,246.8	6,244.5	14,491.3	24%
Derivatives								
Interest Rate				0%				0%
Foreign Exchange	127.9		127.9	0%	27.8		27.8	0%
Cash and Cash Equivalents:								
All	3,113.3		3,113.3	5%	1,364.6		1,364.6	2%
	29,869	31,787	61,656	100%	39,302	21,353	60,655	100%

d) Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. This assessment has been undertaken by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2023.

The main assumptions used in their calculations are:

	Local Government Pension Scheme	
	2021/22	2022/23
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.5	21.8
Women	24.0	24.6
Longevity at 65 for future pensioners		
Men	22.4	22.7
Women	25.7	26.1
Economic assumptions		
Rate of inflation	3.20%	2.95%
Rate of increase in salaries	3.70%	3.45%
Rate of increase in pensions	3.20%	2.95%
Rate for discounting scheme liabilities	2.70%	4.75%
Take-up of option to convert annual pension into retirement grant	50.00%	55.00%

Under the projected unit method current service costs will increase for any scheme where the age profile of the active membership is significantly rising, as the members of the scheme approach retirement age. This is not currently the case in this Authority.

Change in assumptions at 31 March 2023:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount rate	2%	1,076
1 year increase in member life expectancy	4%	2,591
0.1% increase in the Salary Increase Rate	0%	128
0.1% increase in the Pension Increase Rate	1%	963

Further information can be found in Leicestershire County Council's Pension Fund Annual Report, which is available on request from Leicestershire County Council, Glenfield, Leicester.

39) Contingent Assets and Liabilities

There is the following contingent liability:

Municipal Mutual Insurance Limited (MMI)

Municipal Mutual Insurance (MMI) is an insurance company limited by guarantee and not having a share capital, which was established by a group of local authorities and incorporated under the Companies Acts 1862 to 1900 on 13 March 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement.

In September 1992 MMI ceased to write new, or to renew, general insurance business.

The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered.

A levy notice was issued based on 25% of the value of total claims carried forward exceeding £50,000 to 31 March 2023. This was a total of £8,799, which has all been paid in previous years.

The Scheme Administrators will continue to review on an annual basis and may incur costs in the future.

40)The Nature and Extent of Risk Arising from Financial Instruments

a) Key Risks

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

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

b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus 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 under procedures approved by the council. Overall, these procedures require the Council to manage risk in the following ways:

- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing
 - Its maximum and minimum exposures to fixed and variable rates
 - Its maximum and minimum exposures the maturity structure of its debt
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance;
- these are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by the Finance Services team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs).

c) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following significant inputs, assumptions and estimation techniques have been used in calculating impairment loss allowances:

- a simplified approach using a credit matrix has been applied to trade receivables and lease receivables, and repayment reviewed at 30 April 2023.
- an expected credit loss model using historic default rate data from the three main credit agencies was applied to short term investments and repayment reviewed at 30 April 2023.
- an assessment of the loan to the wholly owned subsidiary company concluded there was 0% chance of default.

d) Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Money Markets and the Public Works Loans Board. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

	2021/22 £'000	2022/23 £'000
Less than one year	0	22
Between one and two years	22	0
More than twenty years	1,468	1,468
	1,490	1,490

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

e) **Market risk**

- **Interest rate risk** - The Council has limited exposure to interest rate movements on its borrowings and investments. But movements on interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:
 - Borrowings at variable rates – the interest debited to the Surplus or Deficit on the Provision of Services will rise
 - Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
 - Investments at variable rates – the interest credited to the Surplus or Deficit on the Provision of Services will rise
 - Investments at fixed rates – the fair value of assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other 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 and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	£000s
Increase in interest receivable on variable rate investments	(464)
Impact on Surplus or Deficit on the Provision of Services	(464)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

- **Price risk** - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk. It does have an investment in a property fund which is classified as fair value through profit or loss meaning that all the movements in price will impact on gains and losses recognised in the Surplus or Deficit on the Provision of Services subject to a statutory override given by the Ministry of Housing, Communities and Local Government for the years to 31 March 2023 and extended by the Department for Levelling Up, Housing and Communities for 2 years to 31 March 2025.
- **Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

41) Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure statement the code requires a separate note to provide information.

Expenditure	2021/22 £'000s	2022/23 £'000s
Housing Services - Rent Allowances	7,917	7,782

42) Date of Authorisation

The Statement of Accounts was authorised for issue by C Mason, Director of Resources (& s.151 Officer) on 31 May 2023 and revised on 24 April 2024 after due consideration of any post balance sheet events.

COLLECTION FUND

2021/22 £'000 Council Tax	2021/22 £'000 NNDR	2021/22 £'000 Total		2022/23 £'000 Council Tax	2022/23 £'000 NNDR	2022/23 £'000 Total	Note
(73,668)	0	(73,668)	Income	(77,708)	0	(77,708)	2
0	(39,295)	(39,295)	Income from Council Taxpayers	0	(50,878)	(50,878)	3
(73,668)	(39,295)	(112,963)	Total Income	(77,708)	(50,878)	(128,586)	
			Expenditure				
71,162	0	71,162	Precepts and Demands from County and District	75,526	0	75,526	4
0	23,542	23,542	Business Rates	0	23,499	23,499	
0	4,238	4,238	- Payment to Government for Central Share	0	4,230	4,230	
0	471	471	- Payment to Leicestershire County Council	0	470	470	
0	18,911	18,911	- Payment to Fire Authority	0	18,839	18,839	
0	129	129	- Payment to Harborough District Council	0	129	129	
145	(369)	(224)	- Costs of Collection	163	520	683	
137	260	397	Bad and Doubtful Debts/Appeals	158	63	221	
0	(2,558)	(2,558)	- Provisions	0	(154)	(154)	
137	(8,382)	(8,245)	- Write offs	2,129	(13,250)	(11,121)	5
71,581	36,242	107,823	- Provision for Appeals	77,976	34,346	112,322	
(183)	14,596	14,413	Distribution of previous year's estimated Collection Fund Surplus	(2,270)	11,543	9,273	
(2,087)	(3,053)	(5,140)	Total Expenditure	268	(16,532)	(16,264)	
(2,270)	11,543	9,273	Collection Fund Balance at 1 April	(2,002)	(4,989)	(6,991)	
			(Surplus)/Deficit for the year				
			Collection Fund Balance at 31 March				

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund is an agent's statement that reflects the Council's transactions, as a billing authority, in relation to the collection of Council Tax and Business Rates from taxpayers, and its distribution to local government bodies and the Government. Billing authorities have a statutory obligation to maintain a Collection Fund as a separate account to the General Fund. The administrative costs associated with the collection of Council Tax and Business Rates are, however, charged to the General Fund.

The surplus or deficit on the Collection Fund in relation to Council Tax is credited or charged to the relevant precepting bodies in the subsequent finance year, in proportion to the precepts levied by those organisations. The precepting bodies are Leicestershire County Council (LCC), The Office of the Police and Crime Commissioner for Leicester, Leicestershire and Rutland (OPCC) and the Leicestershire, Leicester and Rutland Combined Fire Authority (CFA).

The Local Government Finance Act 2012 introduced the current business rates retention system from 1 April 2013. The main aim of the scheme is to give local authorities a greater incentive to encourage business growth. The scheme allows the Council to retain 40% of the total rates received, and the preceptors; Central Government (50%), LCC (9%) and CFA (1%). The surplus or deficit is credited or charged to the relevant precepting bodies in the subsequent financial year in line with their respective proportions.

Leicestershire County Council along with Leicester City Council, the CFA and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2022/23, the Leicester and Leicestershire Pool (LLP). Leicestershire County Council was the lead authority for the LLP.

2. Council Tax Income and the Council Tax Base

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. Individual charges are determined by dividing the demands and precepts of the Council, the County Council, the Police and Crime Commissioner and the Fire Authority by the Council Tax base. The Council Tax base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The Band D Council Tax for 2022/23 was £2,020.00 (£1,957.36 in 2021/22). The charge for all other bands is calculated by multiplying the Band D charge by the appropriate ratio for each band.

Income from Council Taxpayers in 2022/23 was £77.7m.

The Council Tax Base used for setting the 2022/23 Council Tax was calculated as follows:

	Dwellings in Banding List	Net effect of premiums and discounts	Adjusted Amount for Council Tax Band	Proportion of Band D Tax	Equivalent Band D Dwellings (to one decimal place)
AR	0	3.3	3.3	5/9	3.3
A	4,584	(2,572.5)	2,011.5	6/9	2,011.5
B	9,161	(3,438.5)	5,722.5	7/9	5,722.5
C	8,204	(1,874.7)	6,329.3	8/9	6,329.3
D	6,592	(271.1)	6,320.9	1	6,320.9
E	6,794	1,044.8	7,838.8	11/9	7,838.8
F	3,792	1,469.0	5,261.0	13/9	5,261.0
G	2,648	1,578.5	4,226.5	15/9	4,226.5
H	240	198.6	438.6	18/9	438.6
Irrecoverable allowance					(763.0)
Tax Base for the Calculation of Council Tax					37,389.4

* - adjustments include Disabled Persons Exemptions, Exempt Properties and Discounts.

3. **Business Rate Income**

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

The business rates shares payable for 2022/23 were estimated before the start of the financial year as £23.499m to Central Government, £4.700m to the Preceptors and £18.799m (plus £40k Renewable Energy Disregard) to Harborough District Council. These sums have been paid in 2022/23 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Harborough District Council pays a tariff to the value of £13.645m via the Pool. The total income from business rate payers collected in 2022/23 was £50.9m (£39.3m in 2021/22).

The rate multiplier set by the Government for 2022/23 was 51.2p or 49.9p for small businesses (no change from 2021/22).

The total rateable value as at 31 March 2023 was £117,561,186 the equivalent at 31 March 2022 being £108,722,597.

4. Precepts and Demands on the Collection Fund – Council Tax

	2021/22 £'000	2022/23 £'000
Harborough District Council	8,328	8,768
Leicestershire County Council	51,290	54,325
OPCC	9,025	9,655
CFA	2,519	2,778
	71,162	75,526

5. Collection Fund Surpluses – Council Tax

The precepts above are shown net of the contribution towards previous years estimated surpluses, which comprise the following:

	2021/22 £'000	2022/23 £'000
Harborough District Council	16	249
Leicestershire County Council	99	1,535
OPCC	17	270
CFA	5	75
	137	2,129

6. Collection Fund Balances

The balance carried forward on the Collection Fund at 31 March 2023 comprises a Council Tax surplus of £2,002k (£2,270k surplus at 31 March 2022). Any surplus or deficit relating to Council Tax must be shared between the Council and the major precepting authorities in proportion to the value of the precepts or demands which they each levy.

The share owed to major precepting authorities at 31 March 2023 is £1,770k and this appears as a creditor on the balance sheet (£2,004k as at 31 March 2022). The Council's own share of the Council Tax surplus, £232k is shown in the net worth section of the balance sheet (£266k surplus at 31 March 2022).

Also included in the Collection Fund for 2022/23 is an amount of £154k related to a decrease in the provision for appeals for NNDR (£2.558m decrease in 2021/22). The council has accounted for our share of this provision, which cumulatively amounts to £2.669m (£2.731m 2021/22). The remainder relates to preceptors' shares.

GROUP ACCOUNTS

The CIPFA Code of Practice requires that where the Council has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The following statements consolidate the financial transactions of Harborough District Commercial Services Ltd, incorporated on 2 January 2019, with the Council.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 31 March 2022				31 March 2023		
Exp £'000	Income £'000	Net £'000		Exp £'000	Income £'000	Net £'000
3,811	(1,123)	2,688	Interim Chief Executive	3,715	(1,455)	2,260
15,565	(10,576)	4,989	Interim Deputy Chief Executive	14,315	(9,756)	4,559
12,609	(5,882)	6,727	Communities & Wellbeing	14,270	(6,794)	7,476
2,519	(2,259)	260	Planning & Regeneration	2,151	(1,289)	862
34,504	(19,840)	14,664	Cost of Services	34,451	(19,294)	15,157
2,039	(5,206)	(3,167)	Other Operating Expenditure	2,114	(261)	1,853
1,392	(610)	782	Financing and Investment Income and Expenditure	1,564	(1,523)	41
3,574	(19,645)	(16,071)	Taxation and Non-specific Grant Income and Expenditure	3,824	(22,081)	(18,257)
		(3,792)	(Surplus)/Deficit on Provision of Services			(1,206)
		(127)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			101
		(11,282)	Remeasurement of Net Defined Benefit Liability/(Asset)			(25,568)
		(11,409)	Other Comprehensive (Income) and Expenditure			(25,467)
		(15,201)	Total Comprehensive (Income) and Expenditure			(26,673)

GROUP MOVEMENT IN RESERVES STATEMENT

	<u>Usable Reserves (£'000)</u>					<u>Unusable Reserves (£'000)</u>							(£'000)
	General	Earmarked	Capital	Receipts In	Total	Financial	Collection				Accumul'd	Total	Total Authority Reserves
	Fund (GF)	GF	Receipts	Advance	Usable	Instruments	Capital	Fund	Adjustment	Revaluation	Pension	Absences	
	Balance	Reserves	Reserve	Unapplied	Reserves	Account	Reserve	Account	Account	Reserve	Account	Reserves	
Balance at 31 March 2022 carried forward	2,508	13,328	9,846	1,237	26,919	49	22,537	18,321	(4,305)	(28,278)	(79)	8,245	35,164
Movement in reserves during 2022/23													
Surplus or (deficit) on provision of services (accounting basis)	1,206	0	0	0	1,206	0	0	0	0	0	0	0	1,206
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(101)	0	0	25,568	0	25,467	25,467
Total Comprehensive Income and Expenditure	1,206	0	0	0	1,206	0	(101)	0	0	25,568	0	25,467	26,673
Adjustments between accounting basis and funding basis under regulations	(5,474)	0	587	0	(4,887)	(256)	(381)	392	6,535	(1,403)	0	4,887	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(4,268)	0	587	0	(3,681)	(256)	(482)	392	6,535	24,165	0	30,354	26,673
Transfers to/from Earmarked Reserves	4,843	(4,843)	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in year	575	(4,843)	587	0	(3,681)	(256)	(482)	392	6,535	24,165	0	30,354	26,673
Balance at 31 March 2023 carried forward	3,083	8,485	10,433	1,237	23,238	(207)	22,055	18,713	2,230	(4,113)	(79)	38,599	61,837

	<u>Usable Reserves (£'000)</u>					<u>Unusable Reserves (£'000)</u>							(£'000)
	General	Earmarked	Capital	Receipts In	Total	Financial	Collection		Accumul'd		Total	Unusable	Total Authority
	Fund (GF)	GF	Receipts	Advance	Usable	Instruments	Capital	Fund	Pension	Absences	Unusable		
	Balance	Reserves	Reserve	Unapplied	Reserves	Adjustment	Revaluation	Adjustment	Adjustment	Reserve	Account	Reserves	Reserves
Balance at 31 March 2021 carried forward	6,739	9,597	4,586	1,237	22,159	(182)	22,819	18,758	(5,871)	(37,609)	(111)	(2,196)	19,963
Movement in reserves during 2021/22													
Surplus or (deficit) on provision of services (accounting basis)	3,792	0	0	0	3,792	0	0	0	0	0	0	0	3,792
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	127	0	0	11,282	0	11,409	11,409
Total Comprehensive Income and Expenditure	3,792	0	0	0	3,792	0	127	0	0	11,282	0	11,409	15,201
Adjustments between accounting basis and funding basis under regulations	(4,292)	0	5,260	0	968	231	(409)	(437)	1,566	(1,951)	32	(968)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(500)	0	5,260	0	4,760	231	(282)	(437)	1,566	9,331	32	10,441	15,201
Transfers to/from Earmarked Reserves	(3,731)	3,731	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in year	(4,231)	3,731	5,260	0	4,760	231	(282)	(437)	1,566	9,331	32	10,441	15,201
Balance at 31 March 2022 carried forward	2,508	13,328	9,846	1,237	26,919	49	22,537	18,321	(4,305)	(28,278)	(79)	8,245	35,164

GROUP BALANCE SHEET

Restated 31 March 2022 £'000		31 March 2023 £'000
49,272	Property, Plant & Equipment	50,252
24	Heritage Assets	24
4,385	Investment Property	4,248
46	Intangible Assets	22
1,408	Assets held for Sale	0
1,550	Long Term Investments	1,295
0	Long Term Debtors	0
56,685	Long Term Assets	55,841
37,514	Short Term Investments	45,697
126	Inventories	136
4,243	Short Term Debtors	5,393
2,505	Cash and Cash Equivalents	1,653
44,388	Current Assets	52,879
(15)	Short Term Borrowings	(37)
(21,901)	Short Term Creditors	(26,403)
(2,813)	Short Term Provisions	(2,688)
0	Grants Receipts in Advance - Revenue	(308)
(2,049)	Grants Receipts in Advance - Capital	(700)
(26,778)	Current Liabilities	(30,136)
(1,490)	Long Term Borrowing	(1,468)
(28,319)	Other Long-Term Liabilities	(4,154)
(9,322)	Grants Receipts in Advance - Capital	(11,125)
(39,131)	Long Term Liabilities	(16,747)
35,164	Net Assets	61,837
26,919	Usable Reserves	23,238
8,245	Unusable Reserves	38,599
35,164	Total Reserves	61,837

Clive Mason
Director of Resources (& s.151 Officer)
24 May 2024

GROUP CASH FLOW STATEMENT

Restated 2021/22 £'000		2022/23 £'000
(3,792)	Net (surplus)/deficit on the provision of Services	(1,206)
14,118	Adjustments to net deficit on the provision of services for non - cash movements	(1,858)
787	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	1,102
11,113	Net Cash flows from operating activities	(1,962)
(12,185)	Investing activities	(8,713)
2,530	Financing activities	9,823
1,458	Net increase/(decrease) in cash and cash equivalents	(852)
1,047	Cash and Cash equivalents at the beginning of the reporting period	2,505
2,505	Cash and Cash equivalents at the end of the reporting period	1,653

NOTES TO THE GROUP ACCOUNTS

1) General

Where figures in the group accounts differ materially from the Council's single entity accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the Council's wholly owned subsidiary company Harborough District Commercial Services Ltd (HDCCS) into the Council's accounts.

2) Group Accounting Policies

The accounting policies of HDCCS have been aligned with the Council's accounting policies contained in note 1. Any statutory adjustments between accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary company.

3) Inclusion within the Group Accounts

The relation the Council has with an entity over which it has varying degrees of control or influence is classified into the categories of subsidiary, associate, or joint venture. The meaning of these terms is outlined below:

Subsidiary – A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent. HDCCS is classified as a subsidiary of Harborough District Council and has therefore been consolidated.

Associate – An associate is an entity over which an investor (the Council) has significant influence.

Joint Venture – A joint venture is a joint arrangement whereby the parties have joint control over the arrangement have rights to the net assets of the arrangement.

The Council does not have any material associate or joint venture arrangements with any other entities.

4) External Audit Fee

As well as the £38k incurred by Harborough District Council in relation to the audit of the statement of accounts, an additional £10k was payable to the appointed auditor regarding the audit of HDCCS.

5) Consolidation of HDCCS

HDCS has been consolidated on a line-by-line basis with all intra-group transactions and balances removed.
 HDCS prepares its year end accounts to the same reporting date, 31 March 2023 as the Council.

The impact of the Companies activities upon the reserves of the Group are as follows:

	31 March 2022 £'000	In year movement 2022/23 £'000	31 March 2023 £'000
Harborough District Council Profit and Loss Reserve	(147)	35	(112)
Total	(147)	35	(112)

In light of the above it is considered unnecessary to produce an Expenditure and Funding Statement for the Group.

The Assets and Liabilities of the Company at the Balance Sheet Date are as follows:

2022/23	HDCS Limited £'000	Inter Company £'000	Group Adjustments £'000
Investment Property	4,011	0	4,011
Company Share Capital/Council Investment	(2,150)	2,150	0
Long term loan debtor/creditor	(1,832)	1,832	0
Debtors	152	0	152
Intercompany Account	(15)	9	(6)
Creditors	(13)	0	(13)
Deferred Tax Liability	(41)	0	(41)
Total	112	3,991	4,103

2021/22 (restated)	HDCS Limited £'000	Inter Company £'000	Group Adjustments £'000
Investment Property	4,146	0	4,146
Company Share Capital/Council Investment	(2,150)	2,150	0
Long term loan debtor/creditor	(1,832)	1,832	0
Debtors	89	0	89
Intercompany Account	(50)	44	(6)
Creditors	(15)	0	(15)
Deferred Tax Liability	(41)	0	(41)
Total	147	4,026	4,173

GLOSSARY OF TERMS

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those operations of the local authority that are acquired in the period.

ACTUARIAL GAINS AND LOSSES

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

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or;
- the actuarial assumptions have changed.

ASSETS UNDER CONSTRUCTION

These are assets that are not yet available for use, for example a building that is in the process of being built and not yet able to be occupied.

CAPITAL EXPENDITURE

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

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENCY

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CORPORATE AND DEMOCRATIC CORE

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

CURRENT SERVICE COSTS (PENSIONS)

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

CURTAILMENT

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, passing of time, or obsolescence through technological or other changes.

DISCONTINUED OPERATIONS

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

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period date on which the financial statements are approved.
- the activities related to the operation have ceased permanently.
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting from either its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all of the above conditions are classified as continuing.

DISCRETIONARY BENEFITS

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

EVENTS AFTER THE BALANCE SHEET DATE

Those events, whether favourable or unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorized for issue.

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

FAIR VALUE

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

FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the start of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

GOING CONCERN

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

GOVERNMENT GRANTS

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

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTEREST COST (PENSIONS)

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

INVENTORIES

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

- Goods or 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.

INVESTED RIGHTS

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

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

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments other than those relating to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)

The investments of the pensions fund will be accounted for in the statements of that Fund. However, authorities (other than town parish councils, community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

INVESTMENT PROPERTIES

Interest in land and/or buildings:-

- in respect of which construction work and development have been completed; and

- which is held for its investment potential, any rental income being negotiated at arm's length.

LIQUID RESOURCES

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

LONG-TERM CONTRACT

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits, and should not be apportioned to services.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

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

PAST SERVICE COST

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

PRIOR YEAR ADJUSTMENTS

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROJECTED UNIT METHOD

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

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

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

PROPERTY, PLANT & EQUIPMENT (PPE)

Property, Plant and Equipment (used to be Tangible Fixed Assets) that yield benefits to the local authority and the services it provides for a period of more than one year.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

RESEARCH AND DEVELOPMENT

Expenditure falling into one or more of the following broad categories:

- Pure (or Basic) Research:- experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or applications;
- Applied research:- original or critical investigations undertaken in order to gain new scientific or technical knowledge directed towards a specific practical aim or objective;
- Development:- use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets.

SCHEME LIABILITIES

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

SETTLEMENT

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

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

USEFUL LIFE

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

Independent auditor's report to the members of Harborough District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Harborough District Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council Movement in Reserves Statement, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the HRA and Collection Fund statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resource with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Resource is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Director of Resource for the financial statements

As explained more fully in the Statement of the Director of Resource's Responsibilities, the Director of Resource is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Resource is also responsible for such internal control as the Director of Resource determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resource is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Resource is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

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

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

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

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

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

We are also required to conclude on whether the Director of Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the [Council]'s Whole of Government Accounts consolidation pack;

Mark Surridge Key Audit Partner
For and on behalf of Mazars LLP

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Birmingham

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