

EREWASH



Statement of Accounts

2022/23

ANNUAL STATEMENT OF ACCOUNTS 2022 - 23

CONTENTS PAGE

	Page Number
Narrative Report	1
Statement of Responsibility for the Statement of Accounts	12
Independent Auditor's Report	13
Statement of Accounting Policies	16
Accounting Standards that have been issued but not yet adopted	34
Critical Judgements in applying Accounting Policies	35
Assumptions made about the future and other major sources of estimation uncertainty	36
Expenditure and Funding Analysis	38
Core Statements	
• Comprehensive Income and Expenditure Statement	41
• Movement in Reserves Statement	43
• Balance Sheet	44
• Cash Flow Statement	46
• Notes to the Accounts	47
Supplementary Statements	
• Collection Fund	102
• Notes to the Collection Fund	105
Index of Accounting Policies	107
Index of Notes to the Accounts	108
Glossary of Terms	109

NARRATIVE REPORT

Background

Erewash Borough Council is an English local authority providing statutory services such as refuse collection, environmental health, street cleaning, planning, housing strategy, building control and housing benefits alongside other services such as green spaces and markets. The Borough of Erewash covers an area of 42.3 square miles and lies between Derby and Nottingham in the south east of Derbyshire. Erewash is a borough of contrast; to the eastern side are the market towns of Ilkeston and Long Eaton, while the west is more rural with some isolated villages. The two large cities of Derby and Nottingham both border the borough, and have an influence on the area.

These accounts set out the financial position for Erewash Borough Council for the year ended 31st March 2023. They have been prepared in accordance with *The 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 (November 2022) (The Code)*. The accounting policies follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to local government.

The Statement of Accounts

The Statement of Accounts comprises the following core statements:

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. The council raises taxation to cover expenditure in accordance with statutory requirements but 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.

The Cost of Services within the Comprehensive Income and Expenditure Statement are reported by directorate, in the way in which services are operated and performance managed. The main services provided within each directorate are:

- Resources – planning, human resources, ICT, finance, rent allowances, elections, legal services, democratic and civic support,
- Environmental and Community Services – building control, neighbourhood wardens, markets and green space and street scene, environmental health, waste management, housing, licensing, facilities management, property and estates, communications and culture, community safety, and performance and community.
- Non-directorate – parish concurrent functions, contingency, external audit fees, Chief Executive's Office and Bramcote Crematorium.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the council, analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation and 'other' reserves. The Statement shows how the movements in year of the council's reserves are analysed between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the

NARRATIVE REPORT

amounts chargeable to council tax for the year. The Net Increase/ Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level, and any statutory limitations on their use (for example, capital receipts that may only be used to fund capital expenditure or repay debt). The second category of reserves include those that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding under regulations'.

Cash Flow Statement

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

The Statement also contains the following supplementary statements:

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 the council in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of amounts due from taxpayers and the subsequent distribution to local authorities and government of council tax and non-domestic rates. The following authorities are the major preceptors on the council:

- Derbyshire County Council;
- Police and Crime Commissioner for Derbyshire;
- Derbyshire Fire and Rescue Service.

NARRATIVE REPORT

The council is required to account for non-domestic rates under the Non-Domestic Ratings Regulations 2013.

Derbyshire National Non Domestic Rates Pool

For 2022/23 Erewash was part of the Derbyshire National Non Domestic Rate Pool with seven other Derbyshire district authorities, Derby City Council, Derbyshire County Council and Derbyshire Fire and Rescue Service. The calculation of any levy payment due or top up receivable from or to the Collection Fund is calculated on a collective basis for the pool as opposed to an individual authority basis.

Council's Financial Performance for the Financial Year 2022/23

Key Issues that have influenced the Financial Position for 2022/23

The council set a balanced revenue budget of £12.417m in 2022/23. The balanced budget used £0.100m of General Fund reserves and £0.254m of earmarked reserves. Heading into 2022/23 the main areas of concern were in relation to the increasing levels of inflation, whether income from customers would return to pre-pandemic levels, the level of resources required to continue to distribute post COVID government grants and the ability to recruit and retain officers to key posts.

The council set a three-year capital programme in February 2022 which is funded by existing capital resources or external grants with no borrowing requirement. The programme contains prioritised schemes, however it also includes a capital contingency fund of £100,000 to allow the Section 151 Officer to manage fluctuations. The fleet replacement programme continued during 2022/23 and is planned to continue into future years depending on the ability to realise capital receipts.

The Treasury Management Strategy (TMS) 2022/23 and Capital Investment Strategy (CIS) were approved by Full Council in March 2022. The Strategies were developed to comply with the Prudential Code for Capital Finance in Local Authorities, the Treasury Management: Code of Practice and Cross Sectoral Guidance Notes (Treasury Management Code) and Minimum Revenue Provision – Guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003.

Key Events affecting the Council in 2022/23 and a look ahead to future years

During 2022/23 there were a number of key issues which had a financial impact on the council.

Following the successful bid in 2021/22 for Towns Fund funding of £24.8m outline business cases have been submitted during 2022/23 for all of the on-going projects. The council has also been successful in its bid for Shared Prosperity Funding with £2.8m in total being awarded over the next three financial years, of which £0.358m has been received for projects in 2022/23. The council also submitted a bid for Levelling Up funding for Long Eaton but the bid was unsuccessful on this occasion.

High levels of inflation and the pay award have had a significant impact on the expenditure during the year. Inflationary effects were particularly prevalent in relation to energy costs, fuel and a number of inflation linked contracts. The impact on the budget of the pay award

NARRATIVE REPORT

agreed during the year was an additional £0.460m compared to the budget. £0.300m from the underspend in 2021/22 had been carried forward in anticipation of a higher than budgeted pay award and to help part mitigate the impact.

During the year the council has had several changes in the senior management team following the retirement of a number of officers. In May 2022 Gary Smith commenced employment as the Director of Environmental and Community Services. In August 2022 Danielle Hughes was appointed as Head of Legal and Governance and in March 2023, Saverio Della Rocca commenced employment as the Director of Resources. In January 2023 the Head of Personnel and ICT was made redundant.

Review of Financial Performance in 2022/23

The council's revenue and capital budgets are split between the council's two directorates. Spending against these budgets is monitored carefully throughout the year and reported quarterly to the Council Executive. The table below compares the actual expenditure in the year in accordance with regulations with the budget for 2022/23.

Revenue Outturn 2022/23	Revised Budget £'000	Actual Net Expenditure £'000	Variance £'000
Expenditure			
Resources	5,305	4,794	(511)
Environmental and Community Services	7,956	7,965	9
Non Directorate	386	459	73
Net Cost of Services	13,647	13,218	(429)
Financed By	Revised Budget £'000	Actual Financing £'000	Variance £'000
New Homes Bonus Scheme Grant	(182)	(182)	0
Revenue Support Grant	(109)	(109)	0
Lower Tier Services Grant	(149)	(149)	0
Services Grant	(229)	(229)	0
New Burdens and other government grants	(14)	(346)	(332)
Council Tax - EBC Precept and S31	(6,819)	(6,690)	129
Collection Fund Council Tax	48	49	1
Business Rates Retention and S31	(6,443)	(6,894)	(451)
Collection Fund NNDR	1,868	1,868	0
Cost of collection deferral	0	5	5
Transfer (from)/to Earmarked Reserves	(627)	(186)	441
Transfer (from)/to General Fund Balances	(991)	(355)	636
Total Income	(13,647)	(13,218)	429

The favourable variance of £0.429m on Net Cost of Services was due mainly to: £0.406m of additional investment interest received compared to budget as interest rates remained high; adverse variances across other income streams totalling 0.463m, most notably planning and building control income of £0.188m; favourable variance across employee budgets of £0.329m as the council continues to experience significant vacancies and savings on supplies and services totalling £0.157m. The outturn position on Net Cost of

NARRATIVE REPORT

Services when adjusted for the variances on financing results in an accounting underspend position for the Council of £1.136m, as detailed in the table below.

	£'000	£'000
Net Cost of Services outturn position underspend		(429)
Additional Government grants received		(328)
Council tax income		130
NNDR Income and S31 grant		(1,202)
NNDR S31 grant income transferred to Funding Risk Reserve		751
NNDR Cost of collection deferral		5
Transfers to earmarked reserves		(41)
Bramcote Crematorium		(22)
Accounting underspend 2022/23		(1,136)

£0.200m of the underspend has been transferred to the Funding Risk Reserve to fund higher employee costs if the actual pay award is agreed at more than the budgeted amount. The council received additional New Burdens funding during the year of which £0.328m remained unspent at the end of the year. £0.300m of this funding has been set aside in an earmarked reserve to fund future digital projects. £0.117m of the underspend will be carried forward to 2023/24 to finance projects not completed in 2022/23. The remaining £0.519m will remain within the General Fund Balance.

The year end General Fund balance was £4.594m (which excludes any balances relating to Bramcote Bereavement Services Joint Committee) and is approximately 11% of the council's gross revenue expenditure. This is significantly above the council's current policy which requires a minimum general fund balance of £2m.

As part of a comprehensive financial planning process, the council also sets aside other revenue funds as earmarked reserves to provide for known spending commitments. Excluding the balances relating to the Bramcote Bereavement Service Joint Committee, these totalled £1.981m as at 31st March 2023, a decrease of £1.341m compared to the previous year's balance of £3.322m. The main movements were the use of £1.868m, from the Funding Risk Reserve, of Section 31 monies received from government in 2021/22 to compensate the council for the loss of income as a result of the granting of additional rate relief to support local businesses in 2021/22 but accounted for in the opening collection fund deficit position in 2022/23. Similarly further rate reliefs were granted in 2022/23 which the council received further compensation for during 2022/23. As such £0.751m has been transferred to the Funding Risk Reserve to be utilised in 2023/24 against the opening collection fund deficit position for 2023/24.

NARRATIVE REPORT

The table below shows the council's actual capital expenditure for 2022/23 compared with the budgeted capital programme.

Capital Outturn Summary 2022/23	Revised Budget £'000	Actual Expenditure £'000	Variance £'000
High Street Fund	466	291	(175)
Long Eaton Towns Fund - CDEL	859	186	(673)
Long Eaton Towns Fund – Stable Block	1,479	132	(1,347)
Long Eaton Towns Fund – West Park Events	2,185	73	(2,112)
Long Eaton Towns Fund – Galaxy Row	3,591	40	(3,551)
Shared Prosperity Fund – Shuttle Bus	104	0	(104)
Shared Prosperity Fund – Property Insulation	182	0	(182)
Flat roof replacement programme – Leisure Centres	137	100	(37)
Museum – vaulted ‘Ha-Ha’	40	0	(40)
Manor Farm Equestrian Bridge	15	0	(15)
Play area refurbishment	230	0	(230)
Petersham play area	75	70	(5)
Financial Management System	37	2	(35)
ICT network attached storage unit	7	0	(7)
ICT uninterrupted power supply unit	25	0	(25)
ICT telephony	50	34	(16)
ICT replacement Councillor laptops	30	28	(2)
HR/Payroll system	21	21	0
Replacement car park machines	28	28	0
Replacement CCTV cameras	7	7	0
Re-deployable cameras	33	33	0
Capita AIM	67	17	(50)
Vehicle replacement	1,647	631	(1,016)
Disabled facilities grants	3,564	616	(2,948)
Social housing provision	234	0	(234)
LAD energy efficiency phase 2	757	372	(385)
LAD energy efficiency phase 3	743	0	(743)
HUG 1	138	0	(138)
Contingency	85	0	(85)
	16,836	2,681	(14,155)
Financed By:			
Capital receipts	(3,283)	(1,213)	2,070
Earmarked reserves	(137)	(447)	(310)
Grants and contributions	(13,416)	(1,021)	12,395
Total Financing	(16,836)	(2,681)	14,155

NARRATIVE REPORT

Explanations of the largest variations between the budgeted and actual capital expenditure for the year are as follows:

- **Disabled Facilities Grants**

At 31st March 2023 the Disabled Facilities Grants budget was underspent by £2.948m. There is always a delay between the grant approval and payment due to the need to commission, undertake and finally inspect the works prior to the release of the grant. The grant applicant has up to 12 months to undertake the necessary works. The grant funded underspend has been carried forward into 2023/24.

- **Long Eaton Towns Fund projects**

Towns Fund grant income is released by central government on approval of the outline business cases for the individual Towns Fund projects. Income is received based on the profile of the spend for each financial year. All projects are planned to span multiple years, so all unspent grant income received at the year end will be carried forward into 2023/24 to be spent over the duration of the Towns Fund projects.

- **Vehicle replacement programme**

Four refuse vehicles were budgeted to be purchased in 2022/23, however due to the long lead time from order to delivery only one vehicle was received during the year. The remaining three vehicles have been received in April 2023.

Borrowing

The council has a policy of remaining debt free and therefore, does not have any external borrowing. This policy may need to be reviewed in the future as capital resources to fund new projects diminish. All capital expenditure during 2022/23 was financed from external grants and the council's own resources.

Provisions, Contingencies and Material Items Written Off

Fuller details of provisions can be found in note 20 to the financial statements on page 81. There were no material amounts written off during 2022/23.

Material Assets and Material Liabilities

The council did not acquire any material assets. Further details of contingent liabilities can be found in note 30 to the financial statements on page 99.

Pensions

There is a net shortfall on the pensions account i.e. predicted liabilities exceed fund assets, that will be reviewed periodically by both the Derbyshire County Pension Fund and Nottinghamshire County Pension Fund actuaries (Bramcote Bereavement Services Joint Committee only) and measures will be implemented to address the position. The council's share of the pension shortfall is £3.747m at 31 March 2023. Whilst the figure is substantial the following factors should also be taken into consideration:

- it is not an immediate deficit that has to be met from existing resources. The sum is the current assessment of the future liabilities for existing pensioners and current employees who are accruing a pension entitlement;

NARRATIVE REPORT

- the deficit is not unique to this council and affects most councils and many other organisations in the UK. The basis of the scheme has been changed to a career average rather than a final salary basis in order to help reduce future liabilities;
- the Derbyshire County Pension Fund and the Nottinghamshire County Pension Fund are reviewed regularly and rates revised as appropriate.

Full details of the pension liability are contained in note 29 to the financial statements on page 90.

Unusual Charges or Credits

There were no unusual charges or credits during the financial year.

Other Liabilities

There are no other significant liabilities.

Forward Look

Financial Health and the Revenue Budget

The council approved its budget for 2023/24 in March 2023. The backdrop for the 2023/24 budget was similar to that of 2022/23. There was uncertainty in the global and UK economy, in particular the effects of the high levels of inflation and the cost-of-living crisis continued to have an impact locally. The 2023/24 budget included significant cost pressures including:

- A pay award provision of 4.5%;
- Additional utility costs of over £300,000;
- Other pressures relating to third parties for external audit, software contracts, insurance premiums and supported accommodation.

Simply put, the cost of doing local authority business in 2023/24 was estimated to be over £2.1m higher than in 2022/23. The council was able to balance the budget through savings of £1.155m, use of General Fund reserves and a Council Tax rise of 2.99%.

At that time, the council's Medium Term Financial Forecast (MTFF) showed a potential gap of c£330k in 2024/25 growing to £360k in 2025/26. The Council's budget report also highlighted the significant risks and uncertainty the council faces and only a few months on the council's view is that the base budget gap is likely to grow further putting extra pressure on the council to make more savings which will threaten its ability to maintain its current services provided. An update on some of the key risks is given below:

- Pay award – the latest pay offer which has been rejected by the Trade Unions would exceed the value of the provision set aside in the budget and cause an additional pressure of £200,000 per annum. £200,000 has been set aside from the 2022/23 underspend in the Funding Risk Reserve to mitigate this in 2023/24;

NARRATIVE REPORT

- Inflation rates – the UK continues to experience the highest rates of inflation for 40 years. This makes managing expenditure commitments within the set budget harder to do. It also creates volatility and increased uncertainty whilst forecasting future budgetary needs. The Bank of England has a target of 2% and expects inflation to reduce by the middle of the year but this is uncertain. Any inflation impact could be offset by higher interest rates and additional investment income;
- Legislative issues – the Government continues to have a significant reform agenda particularly with regard to waste. Plans to impose consistent waste collection rules in England have been delayed but councils could be required to collect six different types of recyclable waste separately. Similarly, the introduction of Extended Producer Responsibility will require ‘obligated producers’ to pay a ‘tax’ on packaging to a Scheme Administrator who will then disburse the cash to local authorities with statutory waste collection and disposal responsibilities. The Council awaits further information and guidance and remains unclear as to whether additional duties will be fully funded but for now the council assumes they will be;
- Local election – the local elections held in May marks the start of a new 4 year administration. The change in control could bring changes in direction and priorities;
- Service pressures – the council is already seeing continued pressures in demand led budgets such as discretionary housing payments and supported accommodation;
- Funding - The issue of Government funding beyond 2024/25 is difficult to gauge. There is a renewed commitment from the Government to implement fundamental funding reform in the near term. This is going to be after the next General Election, though, and possibly even under a different government. Changes in funding reform could then be very different than those that have been proposed by governments in recent years. There are commentators suggesting that even without an injection of Government funding into the local government system, the implementation of Fair Funding will see a redistribution of funding from lower tier to upper tier councils. This could see the council receive little additional funding but this remains to be seen.

The impact of the above issues are that the council’s financial gap could be anywhere in the region of £0.3m to £1m. To help inform its financial planning, the council will be extending its MTF to cover five years not three and will include more sensitivity analysis in its modelling.

Whatever the gap, the council is committed to being financially sustainable. This means ensuring it can live “within its means”, only spending the funding it receives and balancing the budget in any given year without using General Fund reserves. This is our number one financial priority. The continued uncertainty means that the council has no choice but to focus on:

- Using reserves to balance the budget in the short term – at the end of March 2024 General Fund reserves are projected to be at £3.3m so still above the minimum level of £2m;

NARRATIVE REPORT

- Delivering its existing savings programme;
- Identifying a raft of further savings/income generating proposals which could be implemented dependent on its financial position;
- Continuing to use the Council Tax flexibility it has been given as assumed by the Government in Spending Power.

Whilst acknowledging that there is significant uncertainty the council does need to address its potential funding gap. Further work will now be undertaken, building on the savings made in prior years, to identify potential solutions for closing the financial gap. The work will centre on the following areas:

- Assets - The council recognises that investing in new assets or enhancing/making better use of existing assets can have a beneficial impact in terms of a revenue payback or reducing revenue costs. Officers have been asked to bring forward proposals to be considered.
- Income generation – the Council raises c£4m from fees and charges. None of these fees are aimed at making profit but are focused on recovering costs. Given inflationary pressures and pending pay award, the council will need to review its position and ensure all costs are being covered. This could involve introducing new charges.
- Service offer – many councils have seen their service offer reduce substantially as funding has shrunk often with discretionary services being at risk. Whilst the council will seek to protect its service offer, this may not always be possible.
- Efficiency/procurement savings – the council will consider whether through reorganising the way it works, investing in technology etc it can realise savings.
- External funding – the council will continue to look to secure external funding to sustain, protect and enhance services.
- Lobbying - The council will continue to lobby Government directly and through the LGA where it believes that the distribution of funding is unfair. Derbyshire Chief Executives are doing work on this issue through the County's s151 Officers.

Capital Budget

There are three key drivers of the council's capital plans:

- Corporate Strategy - strategic aims and priorities - and other supporting strategies
- Asset management requirements - from its existing portfolio of assets
- Invest to Save - an ambition to generate income or reduce costs in support of the council's priorities.

The council has a 3-year capital programme totalling over £6.1m. The capital programme will allow the council to replace its refuse vehicles to ensure continuity of service provision. Based on the proposed capital programme it is still anticipated that the council

NARRATIVE REPORT

will not have borrowing requirements for capital purposes for the next 3 to 4 years with capital grants and capital receipts available to fund the programme.

Over the next 12 to 18 months, the council will seek to extend its capital programme to cover 5 – 7 years. This will allow it to identify medium term needs arising from the three drivers identified above which could include further investment in IT/Digital, initiatives to support its carbon reduction commitment and additional requirements emanating from the Government’s waste management agenda to name but a few. Projecting its capital ambition in an extended programme will allow the council to consider funding options, inform decisions (retain or sell) about its own assets and have indicative projects “ready” should further Government funding be made available.

Dependent on the level of receipts generated from further asset sales, beyond this time period it may be necessary to finance required capital expenditure via other means. Most potential financing options effectively involve some form of borrowing and will have revenue implications which in turn will need to be included in the Medium Term Financial Forecast, potentially increasing the need to identify further savings in the revenue budget.

Key Performance Indicators

The council monitors and manages its performance using a number of local indicators which have been developed to ensure effective monitoring against the single data set specified by central government. Progress is reported and graded as follows;

- Red – Performance is outside the agreed target and intervention level.
- Amber – Performance is at an acceptable level.
- Green – Performance is on or above target.

The table below shows some of the key performance indicators for 2022/23.

Description	Performance
Percentage of residents who when asked agree the council provides value for money	Green
Number of local groups supported through the Community Grant scheme	Green
Residents satisfaction with parks and open spaces	Green
Improved management of incidences of fly tipping	Green
Average time spent in temporary accommodation	Green

Details of all of the council’s performance indicators can be viewed in the quarterly Performance and Budget Monitoring reports to Council Executive available on the council’s website.

STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Make arrangements for the proper approval of the Statement of Accounts.

The Director of Resources Responsibilities

The Director of Resources is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) (the Code) and Specifications for Future Codes for Infrastructure Assets (November 2022). The accounts should present a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2023.

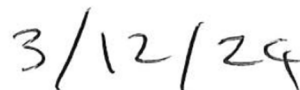
In preparing this Statement of Accounts the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- considered and disclosed all material events up to 3 December 2024.

Certification of Accounts

I certify that the Statement of Accounts give a true and fair view of the financial position of Erewash Borough Council as at 31st March 2023 and its income and expenditure for the year then ended.

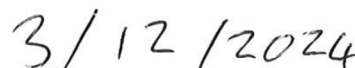




Saverio Della Rocca
Director of Resources and Section 151 Officer

Date





Councillor D Snaith
Chair of the Audit Committee

Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EREWASH BOROUGH COUNCIL

Disclaimer of opinion

We were engaged to audit the financial statements of Erewash Borough Council ('the Council') for the year ended 31 March 2023. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 32 including the Expenditure and Funding Analysis,
- the Statement of Accounting Policies including the accounting standards that have been issued but not yet adopted, critical judgements in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty
- Collection Fund and the related notes 1 to 3.

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 (November 2022).

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024. The backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements. Matters on which we report by exception.

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EREWASH BOROUGH COUNCIL

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- 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 these respects.

Responsibility of the Director of Resources

As explained more fully in the Statement of the Director of Resources' Responsibilities set out on page 12, the Director of Resources 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 Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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 audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EREWASH BOROUGH COUNCIL

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether Erewash Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Erewash Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Erewash Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Erewash Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Erewash Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hayley Clark
Ernst & Young LLP

Hayley Clark (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham
Date: 11 December 2024

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 18 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2022/23 financial year and its financial position at the end of that year. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices.

These accounting practices under Section 21 of the Local Government 2003 Act comprise primarily the *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 (November 2022), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The concept of a going concern assumes that the functions of the Council will continue in operational existence for the foreseeable future. The provisions in the Code (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 (November 2022) in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates.

The council's financial position is underpinned by its overall level of reserves. At the 31st March 2023 the General Fund reserve was approximately £4.6m. These reserves provide the council with the capacity to finance the delivery of services whilst the necessary net savings are achieved.

In accordance with the latest Medium Term Financial Forecast at the start of the 2024/25 financial year the General Fund balance is budgeted to be £3.3m which is over £2m above the minimum level. The council has also undertaken cash flow modelling through to September 2024 which demonstrates the council's ability to work within its Capital Financing Requirement and Cash management framework, with a minimum cash balance forecast during the period of £8m.

Taking all of the above into account, the council's statutory accounts for 2022/23 have been prepared on a going concern basis.

2. 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 in the current and future years affected by the change and do not give rise to a prior period adjustment.

STATEMENT OF ACCOUNTING POLICIES

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the 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.

3. Revenue and Expenditure Recognition

Revenue is the gross inflow of economic benefits, cash receivables or other assets, arising from the ordinary operating activities of the council, such as sales of goods, sales of services and interest.

Revenue is recognised and accounted for, in accordance with *IAS 18: Revenue*, in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.
- Revenue from business rates is recognised on a full accruals basis. The surplus or deficit on the Collection Fund is allocated in full between Erewash Borough Council (the billing authority) and the precepting authorities at the end of the year, even though it will be distributed to, or recovered from, the relevant authorities in a subsequent financial year. The difference between the accrued income included in the Comprehensive Income and Expenditure Statement and the estimated income

STATEMENT OF ACCOUNTING POLICIES

share or demand, is reversed out via the Movement in Reserves Statement, and transferred to the Collection Fund Adjustment Account. The Balance Sheet now reflects the Council's share of debtor/creditor balances in respect of income collectable from ratepayers along with balances due to central government and the major preceptors.

4. Fair Value Measurement

The council measures some of its non-financial assets such as surplus assets and investment properties 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 ordinary 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:

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

The council measures the fair value of an asset 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 participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

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

Level 3 – unobservable inputs for the asset or liability.

5. Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the supply of goods and services, for administrative purposes and are expected to be used during more than one financial year. Only land and property transactions costing more than £10,000 and £3,500 in respect of the acquisition of vehicles, plant and equipment have been capitalised. Any costs below these limits are

STATEMENT OF ACCOUNTING POLICIES

not considered to be material and are not capitalised so they do not obscure the fair presentation of the financial position.

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 to the relevant service segment in the Comprehensive Income and Expenditure Statement.

Where a component is replaced or enhanced, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles, as set out above, being met.

Measurement

An item of property, plant and equipment is initially measured at cost, comprising:

- the purchase price;
- 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 initial estimate of the costs of dismantling and removing the item and restoring it at the site on which it is located.

The cost of property, plant and equipment acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance, in which 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Subsequently, items of property, plant and equipment are carried in the Balance Sheet using the following measurement bases:

- Land and buildings: Fair value (the amount that would be paid for land and buildings in their existing use);
- Items of a specialised nature (where no market-based evidence is available): Depreciated replacement cost;
- Infrastructure assets and community assets: Depreciated historical cost;

STATEMENT OF ACCOUNTING POLICIES

- Non-property assets with short useful lives and/or low values: Depreciated historical cost;
- All other classes of property, plant and equipment: Fair value (the amount for which an asset could be exchanged in an arms-length transaction).

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.

All items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluations and are revalued at intervals of no more than five years. Valuations are undertaken on a rolling basis by professionally qualified valuers who also consider the valuation of assets not being revalued to ensure valuations are kept up to date.

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, the increase is recognised in the Revaluation Reserve, unless the increase is reversing an impairment loss or a revaluation decrease on the same asset, previously charged to the Comprehensive Income and Expenditure Statement.

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

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

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 Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an item of property, plant and equipment 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 the balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

STATEMENT OF ACCOUNTING POLICIES

Where an impairment loss is subsequently reversed, 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. Any excess of the impairment loss reversed above this carrying amount is charged to the Revaluation Reserve.

Depreciation

Depreciation applies to all items of property, plant and equipment with the exception of assets under construction, community assets and land without a determinable finite useful life. The methods of depreciation that reflect the pattern in which the future economic benefits or service potential of different items of property, plant and equipment are expected to be consumed, are determined as follows:

- buildings (including components): Straight-line allocation over the life of the property (between 7 and 81 years);
- vehicles, plant and equipment: Straight-line allocation over the life of the asset (between 2 and 25 years);
- infrastructure: Straight-line allocation over the life of asset (between 10 and 20 years);
- community assets: Not depreciated as their life is non-determinable;
- land, surplus assets not held for sale (land) and assets under construction: are not depreciated;
- surplus assets not held for sale (property): Straight-line allocation over the life of the property (between 10 and 45 years).

Items of property, plant and equipment are not depreciated until they become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

Each major component of an item of property, plant and equipment whose cost is significant in relation to the total cost of the item is depreciated separately and has its own useful life. The Council deems "significant" to be assets with a total valuation of over £200,000, therefore assets less than this are not componentised.

The residual value of an item of property, plant and equipment, its useful life and depreciation method are, as a minimum, reviewed at each financial year end and, if expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

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 the historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

STATEMENT OF ACCOUNTING POLICIES

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition is the difference between the net disposal proceeds (if any) and the asset's carrying amount and is included in the Comprehensive Income and Expenditure Statement.

6. Heritage Assets

These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained for their contribution to knowledge and culture.

The council holds a range of Heritage Assets:

- Civic regalia – comprises the various chains of office associated with the ceremonial functions of the council and the office of mayor (including deputies);
- Art collection – This includes collections which have been donated from various sources over a number of years;
- Monuments and other assets – This covers a range of items including a fountain and ornamental gates that are considered significant to the heritage of the borough.

Civic regalia are held on the balance sheet at insurance value and the art collection is held at market value where available, but if not, insurance value. All the council's heritage assets are considered to have an indefinite life and therefore depreciation is not charged. The civic regalia and art collection are revalued at intervals of no more than five years.

7. 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued according to market conditions.

A gain or loss arising from a change in the fair value of an investment property is credited or debited in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to a gain or loss on the disposal of an investment property.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure

STATEMENT OF ACCOUNTING POLICIES

Statement reflecting 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

8. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the council as a result of past events and it is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council. The most common class of intangible asset in local authorities is computer software. Intangible assets are measured initially at cost and carried at amortised cost.

The depreciable amount of an intangible asset with a finite useful life is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The amortisation method used reflects the expected pattern of use of the economic benefits. If the pattern cannot be determined reliably, the straight-line method is used. The amortisation period and method is reviewed at least at the end of each reporting period. An intangible asset with an indefinite life is not amortised, but is tested for impairment annually and any losses are charged to the relevant service lines in the Comprehensive Income and Expenditure Statement. The useful life of the asset is reviewed annually.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Usable Capital Receipts Reserve.

9. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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 has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council 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 then reverses out the amounts charged so that there is no impact on the level of council tax.

STATEMENT OF ACCOUNTING POLICIES

10. 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 asset 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 council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. Depreciation, revaluation and impairment losses and amortisations are therefore removed by the contribution in the General Fund Balance by way of an adjusting transaction between the Capital Adjustment Account and the Movement in Reserves Statement.

11. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

12. Debtors

Debtors are not recognised when the council becomes committed to supply goods or services, but when the ordered goods or services have actually been delivered or rendered. Debtors are recognised and measured at fair value of the consideration receivable when revenue has been recognised.

The council is required to distinguish between long term debtors (payable for periods of more than one year) and short term debtors (payable within one year).

13. 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.

STATEMENT OF ACCOUNTING POLICIES

14. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than twenty four hours. Cash equivalents are highly liquid investments held for the purpose of meeting short-term cash commitments rather than for investment or other purposes that are readily convertible to known amounts of cash with insignificant risk of change in value.

15. Creditors

Creditors are not recognised when the council becomes committed to purchase the goods or services, but when the ordered goods or services have been delivered or rendered. Creditors are recognised at fair value of the consideration payable.

The council is required to distinguish between long term creditors (payable for periods of more than one year) and short term creditors (payable within one year).

16. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year in which the council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at 31st March each year. Where it becomes less than probable that a transfer of economic benefits will be required or a lower than anticipated settlement is made, the provision is reversed and recognised as income for the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from a third party, the reimbursement is only recognised as income for the relevant service if it is certain that it will be received when the council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise

STATEMENT OF ACCOUNTING POLICIES

of uncertain future events, not wholly within the control of the council. A contingent liability may 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.

A contingent liability is not recognised in the Balance Sheet but is disclosed as a note to the Statement of Accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the council.

A contingent asset is not recognised in the Balance Sheet but is disclosed as a note to the Statement of Accounts where it is probable that there will be an inflow of economic benefits or service potential.

17. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 and Expenditure Statement. The reserve is then appropriated 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 usable resources for the council.

18. Financial Instruments

A financial instrument is any contract that gives rise to a financial liability of one entity and a financial asset of another entity. The term 'financial instrument' therefore covers both financial liabilities and financial assets. Typical financial liabilities include creditors, borrowings and financial guarantees. Typical financial assets include bank deposits, debtors, loans receivable and advances.

Financial Liabilities

A financial liability is recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and is initially measured at fair value and carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that

STATEMENT OF ACCOUNTING POLICIES

exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Derecognition is the term used for the removal of a liability from the Balance Sheet. A financial liability is derecognised when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. 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).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For 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 is credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the council has made a number of loans to employees in the form of car loans or bike loans at less than market rate (soft loans). The present value of the interest foregone is not material so no adjustments to the Statement of Accounts are made for this.

Any gains or losses that arise on the derecognition of a loan and receivable asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The council 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 council.

Impairment losses are calculated to reflect the expectation that 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

STATEMENT OF ACCOUNTING POLICIES

increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial Assets that are measured at fair value through profit or loss are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of the financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The council does not hold any financial assets that are measured at fair value through profit and loss.

19. Government Grants and Contributions

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

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

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

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

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

20. Leases

Leases are classified as finance leases where the term of the lease transfers substantially all the risks and rewards incidental to the ownership of a leased item of property, plant or equipment from the lessor or the lessee. All other leases are classified as operating leases.

STATEMENT OF ACCOUNTING POLICIES

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements Containing a Lease

An arrangement comprising a transaction that does not take the legal form of a lease but conveys a right to use an item of property, plant and equipment in return for a payment or series of payments, may be accounted for as though the arrangement is, or contains, a lease. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception and requires an assessment as to whether its fulfilment is dependent on the use of a specific asset and conveys a right to use the asset. If it is determined that an arrangement is, or contains, a lease, the lease is classified as a finance lease or an operating lease, as appropriate.

The Council as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the patterns of payments (e.g. there is a rent free period at the commencement of the lease).

The Council as Lessor

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the basis of rental income. The depreciation policy for depreciable leased items of property, plant and equipment is consistent with the depreciation policy for other similar assets.

21. Overheads and Support Services

The cost of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

22. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the

STATEMENT OF ACCOUNTING POLICIES

arrangement. The activities undertaken by the council in conjunction with other joint operators involve the use of assets and resources of those joint operators. In relation to its interest in a joint operation, the council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its expenses, including its share of any expenses incurred jointly.

23. VAT

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

24. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (other than termination benefits) are those due to be settled wholly within 12 months after the end of the reporting period. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (i.e. benefits in kind) for current employees and are recognised as an expense for services in the year in which the employee renders service to the council.

An accrual is made for accumulating compensated absences, which are the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are charged on an accruals basis to the appropriate service segment in the Comprehensive income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash

STATEMENT OF ACCOUNTING POLICIES

paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the council are members of The Local Government Pensions Scheme which is accounted for as a defined benefit scheme.

- The liabilities of the Derbyshire County Council and Nottinghamshire County Council pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – 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, employees turnover rates, etc. and projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate determined by reference to market yields at the Balance Sheet date on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. The interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation.
- The assets of the Derbyshire County Council and Nottinghamshire County Council pension fund attributable to the council are included in the Balance Sheet at their fair value at their fair value. The fair value of scheme assets is deducted in determining the defined benefit liability. When no market price is available, the fair value of scheme assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the scheme assets and the maturity or expected disposal date of those assets. Scheme assets exclude unpaid contributions due from the council to the fund and are reduced by any liabilities of the fund that do not relate to employee benefits, for example, trade and other payables and liabilities resulting from derivative financial instruments.

The change in the net pension's liability is analysed into the following components:

Service Cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee 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.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time is 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 liability (asset) at the beginning of the period, taking into account

STATEMENT OF ACCOUNTING POLICIES

any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

Contributions Paid:

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits are replaced 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 Pension 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 are 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 member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

25. Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or as a Note to the Statement of Accounts, depending on how significant the items are to an understanding of the council's financial performance.

26. Events after the Balance Sheet Date

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

STATEMENT OF ACCOUNTING POLICIES

- 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 as a Note to the Statement of Accounts 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.

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the council. Full adoption will be required for the 2023/24 financial statements. However, the council is required to make a disclosure in the 2022/23 financial statements of the estimated effect of the standard.

Amendments to IFRS 3 Business Combinations.

The changes in reference to the Conceptual Framework:

- update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*;
- add to IFRS 3 a requirement to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

It is anticipated that the amendments to IFRS3 are unlikely to have an impact on the council's financial statements.

IFRS Practise Statement *Making Materiality Judgements*

The objective of IFRS Practice Statement *Making Materiality Judgements* is to assist management in presenting financial information about the entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.

Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report.

The Practise Statement suggests a four-step systematic approach for entities to follow when making materiality judgements.

The Practice Statement does not have an effective date and can be applied with immediate effect. It is anticipated that the Practise Statement is unlikely to have an impact on the council's financial statements.

Amendments to IAS12 – Income Taxes

The amendment clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendment to IAS12 will have no impact on the council's financial statements.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Critical Judgements

In applying the accounting policies the council has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- (i) 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.
- (ii) The depreciation periods applied to non-current assets are set out in the accounting policies section of the statement. There is a possibility that the actual depreciation differs from this so that there may be a misstatement in the accounts.
- (iii) The council has to take a judgement on when a potential future loss ceases to be a contingent liability and instead be matched by a provision in the Balance Sheet. An assessment is made by senior managers of the likelihood that events will come to fruition and at what point a provision should be made. Contingent liabilities are reviewed annually to assess the relevant treatment.
- (iv) The council holds a number of fixed assets for investment purposes. These are defined as assets which are held by the council solely to earn rentals or for capital appreciation or both. If any asset is held for these reasons but also for any additional purpose, then they have not been classified as investments. Further details of the council's investment properties are included in note 12 page 65.

ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Key Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Depreciation of non-current assets. The length of time over which non-current assets are fully depreciated is set out in the accounting policies section of the statement. This is based on an average life span of each asset. However, in practice, assets may depreciate at different rates and so there is the possibility that the depreciation charged to some assets may be mis-stated.	<p>If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £24,480 for each year that useful lives have to be reduced.</p>
	Valuation of non-current assets. The council uses external auditors to revalue its non-current assets in line with the Code requirements on a rolling basis.	The valuations are reliant on an element of professional judgement within the calculation of such valuations. A 1% increase in the assets valued would result in the cost of the assets increasing by £33,244.
Provisions	The Balance Sheet amounts for provisions are based on the best information available to form an estimate of the likely financial impact. The provision in the Balance Sheet relates entirely to a NNDR appeals.	There is a possibility that the amount of the provision is inadequate to fund the actual liability when realised. The effect of such would be that additional resources may have to be drawn from revenue reserves in order to fully fund the actual expenditure.
Pensions Liability	The council's outstanding pensions liability is based on advice provided to the Derbyshire County Council Pension Fund by	There is a possibility that the assumptions differ from the actual outcomes. The effect of such would be to increase or decrease

ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Debtors	<p>The debtors figure in the Balance Sheet is shown net of provision for bad debts which is currently 10% of gross debtors. The council consider that this is sufficient even in the current economic climate. However, if collection rates were to deteriorate then this provision would need to be reviewed.</p>	<p>their actuaries. The actuary's forecasts are based on future assumptions about a wide variety of variables, such as the longevity of pensioners receiving pensions, the future size of the workforce contributing to the scheme, and the future returns on the assets of the fund.</p> <p>the pension liability. This will have implications on the contributions payable by the council to the pension fund which would impact on the council's revenue reserves.</p> <p>If collection rates were to deteriorate, a 10% rise in doubtful debts would require an additional £135,000 to be set aside as an allowance.</p>

EXPENDITURE AND FUNDING ANALYSIS

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

2022/23				Adjustments between the Funding and Accounting Basis				Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
	Net Expenditure as reported to Council Executive £'000	Adjustments (Note 1) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments for Capital Purposes (Note 2) £'000	Net charge for Pension Adjustments (Note 3) £'000	Other Differences (Note 4) £'000	Total adjustments £'000	
Resources	4,794	432	5,226	195	480	(84)	591	5,817
Environmental and Community Services	7,965	117	8,082	1,163	715	(15)	1,863	9,945
Non-directorate	459	6	465	40	65	(9)	96	561
Net Cost of Services	13,218	555	13,773	1,398	1,260	(108)	2,550	16,323
Other Income and Expenditure			(11,630)	(2,170)	1,073	(1,564)	(2,661)	(14,291)
(Surplus) or Deficit on Provision of Services			2,143	(772)	2,333	(1,672)	(111)	2,032
Opening General Fund			9,009					
(Less Deficit) or plus Surplus on General Fund in Year			(2,143)					
Closing General Fund Balance			6,866					

EXPENDITURE AND FUNDING ANALYSIS

2021/22				Adjustments between the Funding and Accounting Basis				Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
	Net Expenditure as reported to Council Executive £'000	Adjustments (Note 1) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments for Capital Purposes (Note 2) £'000	Net charge for Pension Adjustments (Note 3) £'000	Other Differences (Note 4) £'000	Total adjustments £'000	
Resources	4,978	27	5,005	52	670	7	729	5,734
Environmental and Community Services	7,416	90	7,506	968	979	6	1,953	9,459
Non-directorate	144	6	150	41	69	(5)	105	255
Net Cost of Services	12,538	123	12,661	1,061	1,718	8	2,787	15,448
Other Income and Expenditure			(9,873)	(2,727)	1,060	(2,477)	(4,144)	(14,017)
(Surplus) or Deficit on Provision of Services			2,788	(1,666)	2,778	(2,469)	(1,357)	1,431
Opening General Fund			11,797					
Plus Surplus or (Less Deficit) on General Fund in Year			(2,788)					
Closing General Fund Balance			9,009					

Note 1 – Adjustments

This column details transactions reported to Council Executive, but which are reported below Net Cost of Services in the Comprehensive Income and Expenditure Account. The transactions within Resources relate to investment interest. Within Environmental and Community Services is income, expenditure and changes in fair value of investment properties. The transactions within Non-directorate are in relation to Bramcote Crematorium interest income.

EXPENDITURE AND FUNDING ANALYSIS

Note 2 – Adjustments for Capital Purposes

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

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

Note 3 – Net Charge for Pension Adjustments

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

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

Note 4 – Other Differences

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

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences 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 non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

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. Councils raise taxation to cover expenditure in accordance with regulations; 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.

2021/22			2022/23			Note
Gross Exp £'000	Income £'000	Net Exp £'000	Gross Exp £'000	Income £'000	Net Exp £'000	
26,673	(20,939)	5,734	Resources	26,960	(21,143)	5,817
17,097	(7,638)	9,459	Environmental and Community Services	15,028	(5,083)	9,945
1,606	(1,351)	255	Non-directorate	1,933	(1,372)	561
45,376	(29,928)	15,448	Net Cost of Services	43,921	(27,598)	16,323
			<i>Other operating expenditure:</i>			
		414	Parish Council precepts			463
		405	(Gains) losses on the disposal of non current assets			(39)
		(396)	Income relating to non asset disposals			(497)
			<i>Financing and investment income and expenditure:</i>			
		1,060	Net interest on the net defined benefit liability			1,073
		(33)	Interest income			(438)
		(602)	Investment property revaluation			(101)
65	(156)	(91)	Income, expenditure and changes in the fair value of investment property	130	(247)	(117)
			<i>Taxation and non specific grant income:</i>			
		(6,658)	Council tax income			(7,174)
		(4,499)	NNDR income and expenditure			(5,397)
		(1,522)	Non ring fenced government grants			(1,015)
		(2,095)	Capital grants and contributions			(1,049)
		1,431	Deficit or (surplus) on the Provision of Services			2,032
		(1,377)	(Surplus) or deficit on the revaluation of non current assets			(1,486)
		(15,834)	Remeasurement of the net defined benefit liability			(37,758)
		(17,211)	Other Comprehensive Income and Expenditure			(39,244)
		(15,780)	Total Comprehensive Income and Expenditure			(37,212)

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'other' reserves. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/ Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Earmarked General Fund Reserves

The surplus on Business Rates Section 31 grants includes £0.751m of grant received by the council to compensate for the loss of Business Rate income as a result of the business rate reliefs provided by government to continue to support businesses through the pandemic. The legislation that governs Collection Fund accounting means that the related deficit as a result of the loss of Business Rates income in-year will not be charged to the council's General Fund until 2023/24. As a result, the £0.751m has been transferred to the Funding Risk Reserve and will be drawn down to offset the deficit in 2023/24; these resources are not available funds.

Full details of the Movement in Reserves Statement are shown in note 5 to the financial statements on page 52.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Reserve £'000	Total General Fund Reserves £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Movement in Reserves during 2022/23									
Balance at 31 st March 2022	5,177	3,325	507	9,009	3,567	2,682	15,258	437	15,695
Total Comprehensive Income and Expenditure	(2,032)	0	0	(2,032)	0	0	(2,032)	39,243	37,211
Adjustments between Accounting Basis and Funding Basis under Regulations (note 4)	(111)	0	0	(111)	(631)	1,015	273	(273)	0
Transfers (from) to Earmarked Reserves	1,750	(1,341)	(409)	0	0	0	0	0	0
Net Increase (Decrease) in 2022/23	(393)	(1,341)	(409)	(2,143)	(631)	1,015	(1,759)	38,970	37,211
Balance at 31st March 2023	4,784	1,984	98	6,866	2,936	3,697	13,499	39,407	52,906
Purpose Analysis									
-Capital	0	0	98	98	2,936	3,697	6,731	43,862	50,593
-Revenue	4,784	1,984	0	6,768	0	0	6,768	(4,455)	2,313
	4,784	1,984	98	6,866	2,936	3,697	13,499	39,407	52,906
Movement in Reserves during 2021/22									
Balance at 31 st March 2021	5,798	5,520	479	11,797	3,526	2,019	17,342	(17,427)	(85)
Total Comprehensive Income and Expenditure	(1,431)	0	0	(1,431)	0	0	(1,431)	17,211	15,780
Adjustments between Accounting Basis and Funding Basis under Regulations (note 4)	(1,357)	0	0	(1,357)	41	663	(653)	653	0
Transfers (from) to Earmarked Reserves	2,167	(2,195)	28	0	0	0	0	0	0
Net Increase (Decrease) in 2021/22	(621)	(2,195)	28	(2,788)	41	663	(2,084)	17,864	15,780
Balance at 31st March 2022	5,177	3,325	507	9,009	3,567	2,682	15,258	437	15,695

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2022 £'000	Note	31st March 2023 £'000	31st March 2023 £'000
Property Plant and Equipment			
33,505	11	34,338	
2,644	11	2,959	
458	11	384	
97	11	805	
36,704			38,486
Other Long-term Assets			
665	12	812	
3,993	12	4,094	
302	12	190	
0	29	58	
574	17	471	
5,534		5,625	
42,238			44,111
Current Assets			
180	16	145	
10,647	17	12,464	
21,546	18	10,979	
4,000		0	
36,373			23,588
78,611			67,699

BALANCE SHEET

31st March 2022 £'000	Note	31st March 2023 £'000	31st March 2023 £'000
Current Liabilities			
(22,518) Short-term Creditors	19	(9,651)	
(1,234) Provisions	20	(1,337)	
(23,752) Total Current Liabilities		(10,988)	
54,829	Total Assets less Current Liabilities		56,711
Long-term Liabilities			
Liability Relating to Defined Benefit Pension			
(39,164) Schemes	29	(3,805)	
(39,164) Total Long-term Liabilities			(3,805)
15,695	Net Liabilities		52,906
Financed by:			
Usable Reserves			
5,177 General Fund Balance	5	4,784	
3,325 Earmarked Revenue Reserves	6	1,984	
3,567 Usable Capital Receipts Reserve	5	2,936	
507 Capital Reserves	6	98	
2,682 Capital Grants Unapplied Account	5	3,697	
15,258			13,499
Unusable Reserves			
18,633 Revaluation Reserve	7	19,675	
23,355 Capital Adjustment Account	7	24,187	
(2,159) Collection Fund Adjustment Account	7	(596)	
(39,172) Pensions Reserve	7	(3,747)	
Short-term Accumulating Compensated			
(220) Absences	7	(112)	
437			39,407
15,695	Total Reserves		52,906

S. Della Rocca

Saverio Della Rocca
Director of Resources and S151 Officer

Date 3 December 2024

These financial statements replace the unaudited financial statements certified on 26 May 2023

CASH FLOW STATEMENT

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

2021/22 £'000	2022/23 £'000
(1,431)	(2,032)
Net (deficit) or surplus on the provision of services	
8,877	(10,332)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	
(731)	(1,492)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
6,715	(13,856)
Net Cash flow from Operating Activities	
(1,399)	(711)
Investing Activities	
5,316	(14,567)
Net Increase or (Decrease) in Cash and Cash Equivalents	
(20,230)	(25,546)
Cash and cash equivalents at the beginning of the reporting period	
25,546	10,979
Cash and cash equivalents at the end of the reporting period	
5,316	(14,567)
Net Increase or (Decrease) in Cash and Cash Equivalents	

Full details of the above are shown in note 21 to the financial statements page 82.

NOTES TO THE ACCOUNTS

1. Events after the Balance Sheet Date

The unaudited Statement of Accounts was authorised for issue by the Director of Resources on 26 May 2023. Events taking place after this date are not reflected in the Financial Statements or accompanying notes. When events taking place before this date provided information about conditions existing at 31st March 2023, the figures in the financial statements and accompanying notes have been adjusted in all material respects to reflect the impact of this information.

2. Segmental Income and Expenditure

Income

Revenue received from external customers on a segmental basis is analysed below:

Income	2021/22 Income from Services £'000	2022/23 Income from Services £'000
Services		
Resources	(660)	(570)
Environmental and Community Services	(3,766)	(3,833)
Non Directorate	(1,332)	(1,372)
Total Income	(5,758)	(5,775)

The Resources segment includes: £420,000 of income from planning and £135,000 from legal fees and land charges. Environmental and Community Services segment includes £1,234,000 from waste management, £562,000 from building control income, £685,000 from car parking income and £413,000 from green space and street scene income. Non Directorate includes income from Bramcote Crematorium of £1,372,000.

Income from external customers increased by £17,000 in 2022/23 compared to 2021/22. The main reasons for the change are;

- £70,000 – increase in car parking income.
- £185,000 – decrease in planning and building control income. 2021/22 saw a spike in applications for home improvements as a result of travel restrictions.
- £103,000 – increase in facilities management income as a result of all the units at Toll Bar House now being fully let from 2022/23 following the redevelopment of the property.

NOTES TO THE ACCOUNTS

Expenditure

Material items of expenditure by segment are detailed in the table below.

Expenditure	Resources £'000	Environmental and Community Services £'000	Non Directorate £'000	Total £'000
2022/23				
Depreciation	196	1,265	40	1,501
Employee costs	4,870	8,274	469	13,613
Discretionary grants ¹	412	21	0	433
Bramcote Crematorium	0	0	1,068	1,068
2021/22				
Depreciation	52	1,171	42	1,265
Employee costs	4,933	8,259	248	13,440
Discretionary grants ¹	0	2,527	0	2,527
Bramcote Crematorium	0	0	1,058	1,058

¹ 2022/23 - Council Tax Energy Rebate Discretionary grant £185,000 and Household Support Fund grants of £248,000. 2021/22 COVID discretionary grants £2,527,000.

3. Income and Expenditure Analysed by Nature

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

	2021/22 £'000	2022/23 £'000
Income		
Fees, charges and other service income	(6,169)	(6,369)
Interest and investment income	(188)	(685)
Income from council tax	(6,658)	(7,174)
Income from non-domestic rates	(4,499)	(5,397)
Government grants and contributions ¹	(26,795)	(22,305)
REFCUS	(583)	(988)
Total Income	(44,892)	(42,918)
Expenditure		
Employee benefits expenses	14,503	14,657
Other services expenses ¹	30,290	27,951
Depreciation, amortisation, impairment and REFCUS	1,644	2,386
Precepts and levies	414	463
Investment property revaluations	(602)	(101)
Interest and investment property expenditure	65	130
(Gain)/loss on disposal of assets	9	(536)
Total Expenditure	46,323	44,950
Deficit or (Surplus) on the Provision of Services	1,431	2,032

NOTES TO THE ACCOUNTS

¹Included within Government grants and contributions for 2021/22 is £2.527m (2022/23 £nil) of COVID discretionary grants received and accounted for under the principal arrangement. Corresponding expenditure of £2.508m (2022/23 £nil) for the distribution of the grants is included within other service expenses.

4. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. 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 council 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 empowered statutorily 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.

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve holds the proceeds from the disposal of land or 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. The balance on the reserve shows the resources that have yet to be applied for these purposes at the Balance Sheet date.

Capital Grants Unapplied

The Capital Grants Unapplied (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.

NOTES TO THE ACCOUNTS

2022/23	Usable Reserves		
	General Fund Balance £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pension costs (transfers to or from the Pensions Reserve)	(2,333)	0	0
• Council Tax and NNDR (transfers to or from the Collection Fund)	1,563	0	0
• Holiday Pay (transfers to or from the Accumulated Absences Reserve)	108	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,264)	0	0
Total Adjustments to Revenue Resources	(1,926)	0	0
Adjustments between Revenue and Capital Resources			
Transfer of Non-current asset sale proceeds from revenue to the Capital Receipts Reserve	536	(536)	0
Capital expenditure charged against the General Fund balance (transferred to the Capital Adjustment Account)	485	0	0
Total Adjustments between Revenue and Capital Resources	1,021	(536)	0
Adjustments to Capital Resources			
Use of Capital Receipts Reserve to finance capital expenditure	0	1,167	0
Application of capital grants to finance capital expenditure	1,016	0	(1,015)
Total Adjustments to Capital Resources	1,016	1,167	(1,015)
Total Adjustments	111	631	(1,015)

NOTES TO THE ACCOUNTS

2021/22	Usable Reserves		
	General Fund Balance £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pension costs (transfers to or from the Pensions Reserve)	(2,777)	0	0
• Council Tax and NNDR (transfers to or from the Collection Fund)	2,476	0	0
• Holiday Pay (transfers to or from the Accumulated Absences Reserve)	(7)	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	410	0	0
Total Adjustments to Revenue Resources	102	0	0
Adjustments between Revenue and Capital Resources			
Transfer of Non-current asset sale proceeds from revenue to the Capital Receipts Reserve	431	(431)	0
Capital expenditure charged against the General Fund balance (transferred to the Capital Adjustment Account)	39	0	0
Total Adjustments between Revenue and Capital Resources	470	(431)	0
Adjustments to Capital Resources			
Use of Capital Receipts Reserve to finance capital expenditure	0	390	0
Application of capital grants to finance capital expenditure	785	0	(663)
Total Adjustments to Capital Resources	1,255	390	(663)
Total Adjustments	1,357	(41)	(663)

NOTES TO THE ACCOUNTS

5. Movement in Reserves

Reserve	Purpose of Reserve
General Fund Balance	Resources available to meet future revenue expenditure.
Earmarked Revenue Reserves	Various discretionary reserves established by the council to fund specific items of revenue expenditure.
Usable Capital Receipts Reserve	Proceeds from non current assets available to meet future capital commitments.
Capital Reserves	Funds set aside to meet known capital commitments.
Capital Grants Unapplied Account	Grants received to fund known capital commitments but which have yet to be applied to meet expenditure.
Revaluation Reserve	Accumulated gains on revaluation of non current assets not realised through sales.
Capital Adjustment Account	Accumulated capital resources set aside to meet past capital expenditure.
Short Term Accumulating Compensated Absences	This is a balancing account to match the liability for untaken staff holiday pay.
Collection Fund Adjustment Account	This shows the adjustment between the actual council tax and NNDR collected and that required by statute to be credited to the Comprehensive Income and Expenditure Statement.
Pensions Reserve	Balancing account to allow the inclusion of the pension's liability in the Balance Sheet.

Note

The reserves relating to Bramcote Bereavement Joint Committee Services accounts have been consolidated into the council's accounts. Further details of the movement on the reserves are shown in notes 6 and 7 to the financial statements on pages 55-60.

NOTES TO THE ACCOUNTS

Movement in Reserves	Balance as at 31/03/2021 £'000	Additions during 2021/22 £'000	Expenditure during 2021/22 £'000	Balance as at 31/03/2022 £'000	Additions during 2022/23 £'000	Expenditure during 2022/23 £'000	Balance as at 31/03/2023 £'000
<u>Usable Reserves</u>							
Revenue Reserve							
General Fund	5,798	0	(621)	5,177	0	(393)	4,784
Other Earmarked General Fund Reserves	5,520	2,169	(4,364)	3,325	1,253	(2,594)	1,984
Total Revenue Reserves	11,318	2,169	(4,985)	8,502	1,253	(2,987)	6,768
Capital Reserves							
Capital Reserve	479	28	0	507	0	(409)	98
Usable Capital Receipts Reserve	3,526	477	(436)	3,567	582	(1,213)	2,936
Capital Grants Unapplied Account	2,019	2,678	(2,015)	2,682	2,036	(1,021)	3,697
Total Capital Reserves	6,024	3,183	(2,451)	6,756	2,618	(2,643)	6,731
Total Usable Reserves	17,342	5,352	(7,436)	15,258	3,871	(5,630)	13,499
<u>Unusable Reserves</u>							
Revaluation Reserve	17,679	1,485	(531)	18,633	1,504	(462)	19,675
Capital Adjustment Account	21,971	3,718	(2,334)	23,355	3,392	(2,560)	24,187
Short-term Accumulating Compensated Absences	(213)	213	(220)	(220)	220	(112)	(112)
Collection Fund Adjustment	(4,635)	2,476	0	(2,159)	1,563	0	(596)
Pension Reserve	(52,229)	18,084	(5,027)	(39,172)	40,016	(4,591)	(3,747)
Total Unusable Reserves	(17,427)	25,976	(8,112)	437	46,695	(7,725)	39,407

NOTES TO THE ACCOUNTS

6. Transfers to/from Earmarked Reserves

The table below shows the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure, and amounts transferred from earmarked reserves to meet General Fund expenditure. It also shows any transfers to and from the General Fund in respect of capital reserves.

Reserves	Balance as at 31/03/2021 £'000	Transfers to General Fund during 2021/22 £'000	Transfers from General Fund during 2021/22 £'000	Balance as at 31/03/2022 £'000	Transfers to General Fund during 2022/23 £'000	Transfers from General Fund during 2022/23 £'000	Balance as at 31/03/2023 £'000
Earmarked Revenue Reserves							
IT equipment	156	(26)	0	130	(51)	0	79
Insurance	372	(26)	0	346	(29)	0	317
Community safety	20	(10)	0	10	(7)	0	3
Shopmobility	9	0	0	9	0	0	9
Museum purchases	4	0	0	4	0	0	4
Museum donations	14	0	1	15	0	1	16
Funding risk ¹	4,942	(4,302)	2,168	2,808	(2,506)	951	1,253
Digital Transformation	0	0	0	0	0	300	300
Crematorium donations	3	0	0	3	0	0	3
	5,520	(4,364)	2,169	3,325	(2,593)	1,252	1,984
Capital Reserves							
Vehicle and plant	388	0	0	388	(388)	0	0
Crematorium repairs and renewals	91	0	28	119	(21)	0	98
	479	0	28	507	(409)	0	98

¹The £0.951m transfer to the Funding Risk reserve comprises of £0.751m of Section 31 monies received in 2022/23 in relation to business rate reliefs to be used against the NNDR Collection Fund deficit in 2023/24 and £0.200m of the General Fund underspend to be utilised against pay award pressures in 2023/24. The £2.506m transfer from the Funding Risk reserve comprises of: £1.868m of Section 31 monies received in 2021/22 in relation to business rate reliefs which have been utilised against the collection fund deficit in 2022/23; £0.088m in relation to discretionary council tax reliefs which have been utilised against council tax reliefs granted in 2022/23; £0.300m set aside to mitigate the 2022/23 pay award pressure; and £0.250m budgeted use of the reserve for 2022/23.

NOTES TO THE ACCOUNTS

7. Movement in Reserves Statement – Movement on Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment, (and intangible assets). The balance is reduced when assets with accumulated gains are:

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

The Reserve only contains revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/22 £'000	2022/23 £'000
17,679 Balance at 1st April	18,633
1,485 Upward revaluation of assets	1,349
0 Revaluation gain on heritage assets	155
0 Revaluation (loss) on heritage assets	(7)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the	
(108) Provision of Services	(11)
Surplus (Deficit) on Revaluation of long-term assets not posted to the Surplus or Deficit on the Provision of Services	
1,377	1,486
Difference between fair value depreciation and	
(423) historical cost depreciation	(444)
18,633 Balance at 31st March	19,675

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of long-term assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis. The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

NOTES TO THE ACCOUNTS

The account also contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council. It also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following Note provides details of the sources of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £'000		2022/23 £'000
21,971	Balance at 1st April	23,355
	Reversal of items relating to capital expenditure shown in the Comprehensive Income and Expenditure Statement:	
(1,249)	Charges for depreciation on non current assets	(1,318)
(16)	Amortisation of intangible assets	(183)
602	Revaluation gains/(losses) on Investment Properties	101
0	Revaluation losses on Property, Plant and Equipment	(25)
(583)	Revenue expenditure funded from capital under statute	(988)
	Amounts of non-current assets written off on disposal or sale to the Comprehensive Income and Expenditure	
(440)	Statement	0
204	Reversal of previous revaluation losses	127
(1,482)		(2,286)
	Net written out amount of the cost of non-current assets consumed in the year	
	Difference between fair value depreciation and historical	
423	cost depreciation	444
423		444
	Capital Financing applied in the year:	
436	Use of capital receipts to finance new capital expenditure	1,213
1,892	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied in capital financing	1,021
122	Use of unapplied grants	1
39	Capital expenditure charged against the General Fund	485
(46)	Leisure services capital loan	(46)
2,443		2,674
23,355	Balance at 31st March	24,187

NOTES TO THE ACCOUNTS

Pensions Reserve

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

2021/22 £'000	2022/23 £'000
(52,229) Balance at 1st April	(39,172)
15,834 Actuarial gains or (losses) on pensions assets and liabilities	37,758
(5,027) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,591)
2,250 Employer's pension contributions and direct payments to pensioners payable in the year	2,258
<u>(39,172) Balance at 31st March</u>	<u>(3,747)</u>

NOTES TO THE ACCOUNTS

Collection Fund Adjustment Account

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

2021/22 £'000	2022/23 £'000
Council Tax	
(10) Balance at 1st April	(169)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	69
(169) Balance at 31st March	(100)
NNDR	
(4,625) Balance at 1st April	(1,990)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	1,489
0 Cost of collection allowance adjustment deferral	5
(1,990) Balance at 31st March	(496)
(2,159) Total Collection Fund Adjustment Account	(596)

NOTES TO THE ACCOUNTS

Short-term Accumulating Compensated Absences Adjustment Account

The Short-term Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise have arisen on the General Fund balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2021/22 £'000		2022/23 £'000
(213)	Balance at 1 st April	(220)
213	Settlement or cancellation of accrual made at the end of the preceding year	220
0		0
(220)	Amounts accrued at the end of the current year	(112)
(220)	Balance at 31 st March	(112)

8. Capital Expenditure

The council's capital expenditure, on an accrual's basis, including amounts owed but not paid during the financial year, have been analysed by type of asset and are set out below. The amounts also include revenue expenditure funded from capital under statute (REFCUS).

2021/22 £'000		2022/23 £'000
	Type of Asset	
913	Other land and buildings	100
900	Vehicles, plant, furniture and equipment	814
0	Assets under construction and work in progress	722
12	Infrastructure	0
66	Intangibles	57
583	Revenue expenditure funded from capital under statute	988
2,474		2,681
	Sources of Finance	
(436)	Capital receipts	(1,213)
(2,015)	Grants and contributions	(1,021)
(23)	Reserves	(447)
(2,474)		(2,681)
0	Closing Capital Financing Requirement	0

NOTES TO THE ACCOUNTS

9. Capital Commitments

At 31 March 2023, the council had entered into contracts totalling £0.729m (£0.204m 2021/22) to take place in 2023/24. The breakdown is as follows:

Capital Commitments	£'000
Vehicle replacement programme (refuse)	556
Shared Prosperity Fund	100
Towns Fund	73

10. Valuation of Non Current Assets and Long Term Assets

Non current assets are initially recognised at their cost of acquisition or purchase, plus any expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Subsequent valuation of assets is based on the following:

- Land and Buildings, and Vehicles, Plant and Equipment - fair value in existing use or historical cost;
- Infrastructure Assets, Community Assets and Assets under Construction - depreciated historic cost;
- Investment Properties - market value;
- Intangible Assets - amortised historic cost.

Plant, furniture and equipment that are normally regarded as forming part of the building service installation have been included in the property valuation figure. However, under International Financial Reporting Standard 16 *Property, Plant and Equipment* significant components within buildings are valued and depreciated separately from the rest of the structure. Assets are only componentised if valued over £200,000 in total.

All valuations of non current assets are based upon a valuation exercise carried out by an external valuer, Guy Harbord of Wilks Head and Eves LLP, who is a member of the Royal Institute of Chartered Surveyors. To comply with IAS16 *Property, Plant and Equipment* if one asset is chosen to be revalued, then all assets within that category must be revalued i.e. if one car park is revalued then all car parks must be revalued. All of the Council's assets will be revalued over a five year rolling programme.

NOTES TO THE ACCOUNTS

11. Movement on Property, Plant and Equipment (excluding Infrastructure Assets)

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Assets under Construction £'000	Total Property, Plant & Equipment excluding Infrastructure Assets £'000
Cost or Valuation at 31st March 2022	33,681	10,518	97	44,296
Additions	100	852	722	1,674
Derecognition - disposals	(100)	(821)	0	(921)
Revaluation (+/-) recognised in the Revaluation Reserve	864	0	0	864
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	47	0	0	47
Reclassifications	(16)	16	(14)	(14)
Cost or Valuation at 31st March 2023	34,576	10,565	805	45,946
Cumulative Depreciation at 31st March 2022	(176)	(7,874)	0	(8,050)
Depreciation charge for the year	(691)	(553)	0	(1,244)
Depreciation written out to the Revaluation Reserve	474	0	0	474
Derocognition - disposals	100	821	0	921
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	55	0	0	55
Cumulative Depreciation at 31st March 2023	(238)	(7,606)	0	(7,844)
Net Book Value at 31st March 2023	34,338	2,959	805	38,102
Net Book Value at 1 st April 2022	33,505	2,644	97	36,246
Asset Financing at 31st March 2023				
-Owned	34,338	2,959	805	38,102

NOTES TO THE ACCOUNTS

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Assets under Construction £'000	Total Property, Plant & Equipment excluding Infrastructure Assets £'000
Cost or Valuation at 31st March 2021	32,744	10,147	271	43,162
Additions	45	900	91	1,036
Derecognition - disposals	(10)	(529)	0	(539)
Revaluation (+/-) recognised in the Revaluation Reserve	744	0	0	744
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	158	0	0	158
Reclassifications	0	0	(265)	(265)
Cost or Valuation at 31st March 2022	33,681	10,518	97	44,296
Cumulative Depreciation at 31st March 2021	(164)	(7,918)	0	(8,082)
Depreciation charge for the year	(689)	(485)	0	(1,174)
Depreciation written out to the Revaluation Reserve	631	0	0	631
Derocognition - disposals	0	529	0	529
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	46	0	0	46
Cumulative Depreciation at 31st March 2022	(176)	(7,874)	0	(8,050)
Net Book Value at 31st March 2022	33,505	2,644	97	36,246
Net Book Value at 1 st April 2021	32,580	2,229	271	35,080
Asset Financing at 31st March 2022				
-Owned	33,505	2,644	97	36,246

NOTES TO THE ACCOUNTS

In November 2022, CIPFA issued an Update to the Code of Practice on Local Authority Accounting. This Update allows for the movement between the opening and closing balance of infrastructure assets to be presented at net book value (rather than gross cost/accumulated depreciation) basis for a temporary period up to and including 2024/25, in recognition that authorities do not typically hold sufficient granular detail regarding historical expenditure on their infrastructure assets in order to accurately account for derecognitions on a gross basis.

Furthermore, an amendment to the Local Authorities (Capital Financing and Accounting) Regulations was also laid in November 2022 which permits local authorities, when they replace a component of an infrastructure asset, to determine the carrying amount to be derecognised in respect of that replaced component as nil. This statutory override also applies up to and including 2024/25. Erewash Borough Council has made this determination since 2021/22 in its Statement of Accounts.

Infrastructure assets have therefore been excluded from the previous tables which analyse the movement on Property, Plant and Equipment on a gross book value/accumulated depreciation basis. The movement on infrastructure assets is instead presented in the following Note, along with a reconciliation to the total Property Plant and Equipment as reported on the Balance Sheet and elsewhere within these financial statements. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this Note does not include disclosure of gross cost and accumulated depreciation for the infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Net Book Value	Infrastructure Assets £'000	Other Property, Plant & Equipment £'000	Total Property, Plant & Equipment £'000
At 1 April 2022	458	36,246	36,704
Additions	0	1,674	1,674
Depreciation charge	(74)	(1,244)	(1,318)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	1,338	1,338
Revaluation increases/(decreases) recognised in the Surplus deficit on the Provision of Services	0	102	102
Disposals	0	0	0
Reclassifications	0	(14)	(14)
Net Book Value at 31st March 2023	384	38,102	38,486

NOTES TO THE ACCOUNTS

Net Book Value	Infrastructure Assets £' 000	Other Property, Plant & Equipment £' 000	Total Property, Plant & Equipment £' 000
At 1 April 2021	533	35,080	35,613
Additions	0	1,036	1,036
Depreciation charge	(75)	(1,174)	(1,249)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	1,375	1,375
Revaluation increases/(decreases) recognised in the Surplus deficit on the Provision of Services	0	204	204
Disposals	0	(10)	(10)
Reclassifications	0	(265)	(265)
Net Book Value at 31st March 2022	458	36,246	36,704

The council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

	Other Land and Buildings £' 000	Vehicles, Plant, Furniture & Equipment £' 000	Infrastructure Assets £' 000	Assets under construction £' 000	Total £' 000
Carried at historical cost	1,332	10,565	1,875	805	14,577
Valued at fair value as at:					
31 st March 2019	458	0	0	0	458
31 st March 2020	3,382	0	0	0	3,382
31 st March 2021	1,939	0	0	0	1,939
31 st March 2022	604	0	0	0	604
31 st March 2023	26,861	0	0	0	26,861
Cost or Valuation at 31st March 2023	34,576	10,565	1,875	805	47,821

NOTES TO THE ACCOUNTS

12. Movement on Investment Properties, Assets Held for Sale, Intangible Assets and Heritage Assets

	Investment Properties £' 000	Assets Held for Sale £' 000	Intangible Assets £' 000	Heritage Assets £' 000	Total £' 000
Cost or Valuation at 1st April 2022	3,993	0	1,307	665	5,965
Additions	0	0	57	0	57
Derecognition - disposals	0	0	0	0	0
Revaluation (+/-) recognised in the Revaluation Reserve	0	0	0	147	147
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	101	0	0	0	101
Reclassifications	0	0	14	0	14
Cost or Valuation at 31st March 2023	4,094	0	1,378	812	6,284
Cumulative Amortisation and Depreciation at 1st April 2022	0	0	(1,005)	0	(1,005)
Amortisation charge for the year	0	0	(183)	0	(183)
Revaluation (+/-) recognised in the Revaluation Reserve	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Depreciation on Reclassifications	0	0	0	0	0
Cumulative Amortisation and Depreciation at 31st March 2023	0	0	(1,188)	0	(1,188)
Net Book Value at 31st March 2023	4,094	0	190	812	5,096
Net Book Value at 1 st April 2022	3,993	0	302	665	4,960
Asset Financing at 31st March 2023					
- Owned	4,094	0	190	812	5,096

NOTES TO THE ACCOUNTS

	Investment Properties £' 000	Assets Held for Sale £' 000	Intangible Assets £' 000	Heritage Assets £' 000	Total £' 000
Cost or Valuation at 1st April 2021	3,001	0	989	665	4,655
Additions	820	0	53	0	873
Derecognition - disposals	(430)	0	0	0	(430)
Revaluation (+/-) recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	602	0	0	0	602
Reclassifications	0	0	265	0	265
Cost or Valuation at 31st March 2022	3,993	0	1,307	665	5,965
Cumulative Amortisation and Depreciation at 1st April 2021	0	0	(989)	0	(989)
Amortisation charge for the year	0	0	(16)	0	(16)
Revaluation (+/-) recognised in the Revaluation Reserve	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Depreciation on Reclassifications	0	0	0	0	0
Cumulative Amortisation and Depreciation at 31st March 2022	0	0	(1,005)	0	(1,005)
Net Book Value at 31st March 2022	3,993	0	302	665	4,960
Net Book Value at 1 st April 2021	3,001	0	0	665	3,666
Asset Financing at 31st March 2022					
- Owned	3,993	0	302	665	4,960

NOTES TO THE ACCOUNTS

Impairments (material items only)

There were no material impairments during the year for both Operational and Non Operational Non Current Assets.

Nature of Intangible Assets

The Intangible Assets are all purchased computer software.

Investment Property

The following amounts are shown in the Comprehensive Income and Expenditure Statement for Investment Properties:

- direct operating expenditure £130,380
- rental income - £247,337

Fair Value Hierarchy

All the council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policy 4 Fair Value Measurement p19 for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Value for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rental yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

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

NOTES TO THE ACCOUNTS

13. Heritage Assets: Reconciliation of the Carrying Value

	Art Collection £'000	Civic Regalia £'000	Other Assets £'000	Total Assets £'000
Cost or Valuation at 1 st April 2022	222	277	166	665
Revaluation	0	147	0	147
Cost or Valuation at 31st March 2023	222	424	166	812
Cost or Valuation at 1 st April 2021	222	277	166	665
Revaluation	0	0	0	0
Cost or Valuation at 31st March 2022	222	277	166	665

There were no acquisitions, donations, disposals or impairments of heritage assets during 2022/23 or 2021/22.

Art Collection

The council's collection of art is reported in the Balance Sheet at market value where available otherwise at the insurance valuation. The council has a large art collection which has been donated from various sources including 'The Howitt Bequest'. Other donated collections include artists John Lally and Norman Whitehead. Some of the collection is displayed publicly at the Erewash Museum and Long Eaton Civic Centre with the remainder in secure storage at Merlin Way.

The art collection was last valued during 2017/18 on the basis of insurance value by Bonhams – independent valuers. Revaluations will be assessed for impairment on an annual basis. It is considered the collection has an indefinite life and therefore depreciation has not been charged. Restoration is proposed to be carried out on the more important items in the collection in the near future.

Civic Regalia

The council's civic regalia collection comprises the various chains of office associated with the ceremonial functions of the council and the office of mayor (including deputies), i.e. chains, pendants, mace etc. Some of the items pre-date local government reorganisation in 1974 such as the Sterling Silver Flagons and the mayoral chain. The collection (when not in use) is held in secure storage.

The majority of the civic regalia was last valued during 2022/23 on the basis of insurance value by Vaughtons – independent valuers. Revaluations will be undertaken within a maximum period of 5 years, although the regalia will be assessed for impairment on an annual basis. It is considered the collection has an indefinite life and therefore depreciation has not been charged.

Other Heritage Assets

The council also holds other heritage assets as follows:

NOTES TO THE ACCOUNTS

- Fountain in the market place at Ilkeston
- Bateman Ornamental Gates at West Park, Long Eaton
- Two World War One Death Plaques

Both the Fountain and Bateman Ornamental gates are considered important to the borough with both having been restored at cost by the council. They are both held on the Balance Sheet at the cost of previous restorations and are assessed for impairment on an annual basis. The Death Plaques are held on the Balance Sheet based on the valuation performed by an expert in the field.

The council has also accumulated a number of miscellaneous items (historic and local memorabilia) that have been acquired or donated to the Erewash Museum over many years. It is considered that the value of these items is de minimis. As such they are not held on the asset register as the council considers that the cost of obtaining valuations is not commensurate to the potential benefit to the users of the Statement of Accounts.

14. Leasing

Assets Held Under Leases (Council as Lessee)

Finance Leases

A review of the council's leases undertaken during the year concluded that all the existing leases should continue to be treated as operating rather than finance leases.

Operating Leases

The Other Land and Building obligations are in respect of a 99 year lease with an annual rental of £14,000 at Sandiacre Friesland Sports Centre which expires in 2092. There is no sublease income in relation to this lease. The council has no other lease agreements and made no payments in respect of contingent rents or payments in respect of subleases.

The future minimum lease payments that the council is contractually obliged to pay in respect of this lease are set out in the following table.

	2021/22 Other Land & Buildings £'000	2022/23 Other Land & Buildings £'000
Obligations no later than one year	14	14
Obligations between 2 and 5 years	56	56
Obligations later than five years	916	902

NOTES TO THE ACCOUNTS

Assets Held For Leases (Council as Lessor)

Operating Leases

The council owns a number of properties and land which are leased out to other organisations. During the year it received lease income of £207,700 (2021/22 £189,800). The future minimum lease payments that the council will receive over the life of the current leases are set out in the table below:

	2021/22 £'000	2022/23 £'000
Receipts no later than one year	175	192
Receipts between two and five years	516	553
Receipts later than five years	2,085	1,988

The high value of lease income receivable later than five years arises from several long term leases, the main ones being: 99 year lease on the Indoor Bowls Centre £693k; 99 year lease for the Squash Courts at Manor Road £325k; 60 year lease on land and buildings on Beauvale Drive, Cotmanhay £311k; 25 year lease on land at Awsworth Road Playing Fields £207k; 15 year lease on land at Quarry Hill, Ilkeston £95k; 25 year lease on land at Grange Park, Long Eaton (Long Eaton United FC) £52k; 25 year lease on land at Grange Park, Long Eaton (Army Cadets) £50k; 25 year lease for the land and pavilion at Derwent Meadows £65k; and a 25 year lease for the changing rooms at West Park (Long Eaton Rugby FC) £73k.

15. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another. The term financial instrument covers both financial assets and financial liabilities. Typical financial instruments are:

Liabilities:

- trade payables and other payables,
- borrowings,
- financial guarantees.

Assets:

- bank deposits,
- trade receivables,
- loans receivable,
- other receivables and advances,
- investments.

The Code disclosure requirements for financial instruments are largely irrelevant for the council in 2022/23 for the following reasons:

NOTES TO THE ACCOUNTS

- The council does not use an external fund manager. It manages its investments in-house, supported by external professional treasury advisers.
- The council continues to adopt a prudent and cautious approach to treasury management as set out in its Annual Treasury Management and Investment Strategy. All investments are simple loans to UK banks and building societies, the government's debt management office and other local authorities.

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

	Non Current		Current	
	31 st March 2022 £'000	31 st March 2023 £'000	31 st March 2022 £'000	31 st March 2023 £'000
Financial Liabilities at Amortised Cost				
Creditors	0	0	(16,579)	(5,253)
Total Financial Liabilities	0	0	(16,579)	(5,253)
Financial Assets at Amortised Cost				
Investments	0	0	25,546	10,979
Debtors	335	271	2,990	3,677
Total Financial Assets	335	271	28,536	14,656

The council has made a number of loans to employees in the form of car loans or bike loans at less than market rates (soft loans). The present value of the interest foregone is not material so no adjustments to the Statement of Accounts are made for this.

Fair Value of Financial Assets and Financial Liabilities

Except for financial assets carried at fair value, 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, using the following assumptions:

- 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 or other receivables is taken to be the invoiced or billed amount.

NOTES TO THE ACCOUNTS

The fair values calculated are as follows:

	31 st March 2022		31 st March 2023	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities				
Short term creditors	(16,579)	(16,579)	(5,253)	(5,253)
Total Financial Liabilities	(16,579)	(16,579)	(5,253)	(5,253)
Financial Assets				
Short term investments	25,546	25,546	10,979	10,979
Short term debtors	2,990	2,990	3,677	3,677
Long term debtors	335	335	271	271
Total Financial Assets	28,871	28,871	14,927	14,927

Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The council's activities expose it to a variety of risks relating to its financial instruments. 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 may not have the 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 or stock market movements.

Overall Procedures for Managing Risk

The council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework established by the Local Government Act 2003 and the associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations;

NOTES TO THE ACCOUNTS

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The council's overall borrowing.
 - Its maximum and minimum exposures to the maturity structure of its debt.
 - Its management of interest rate exposure; and
- by approving an Investment Strategy for the forthcoming year and setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These are required to be reported and approved at or before the council's annual council tax setting meeting. 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 to members at Council Executive through the quarterly Treasury Management Service and Prudential Indicators report.

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

Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poors Rating Services. The Annual Investment Strategy also considers the maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial test is applied. Details of the Investment Strategy can be found on the council's website.

A key component of the Investment Strategy is the minimum criteria for investment counterparties (both Specified and Non-Specified investments):

- Banks 1 – good credit quality – the council will only use UK banks which have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
 - (a) Short term – F1
 - (b) Long term – A
- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland. The bank can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The council's own banker (Lloyds) for transactional purposes if the bank falls below the above criteria. In this case balances will be minimised (less than £3million) and will be kept liquid.

NOTES TO THE ACCOUNTS

- Building societies – The council will use all societies which:
 - (a) meet the ratings for banks outlined above; or
 - (b) have assets in excess of £1bn;
- Money Market Funds – AAA (sovereign funds)
- UK Government Debt Management Account Deposit Facility (DMADF)
- Local authorities (including police authorities and fire authorities but excluding parish councils)

Both the Capital Strategy for 2023/24 to 2025/26 and the Investment Strategy for 2023/24 to 2025/26 were approved by Council Executive on 21st February 2023 and ratified by full Council on 2nd March 2023 and are accessible on the council's website.

Counterparties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings determined by the council.

The council's maximum exposure to credit risk in relation to its investment in banks and building societies of £2,000,000 cannot be assessed generally as the risk of any institution failing to make interest repayments or repay the principal sum but will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, however there was no evidence at 31st March 2023 that this was likely to crystallise.

The following table summarises the council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five years, adjusted to reflect current market conditions. The debtors figure relates to debtors beyond their due date, but excludes housing benefit overpayments.

Deposits with Banks and Financial Instruments	Amount at 31st March 2023	Historical Risk of Default	Adjustment for Market Conditions at 31st March 2023	Estimated Maximum Exposure to Defaults
	A	B	C	A x C = D
	£'000	%	%	£'000
AAA rated counterparties	4,500	0.04	0.04	2
AA rated counterparties ¹	4,000	0.02	0.00	0
Trade Debtors ²	766	2.55	2.55	20
	9,266			22

¹The £4m the council has invested at year end is with other local authorities for which credit losses are not recognised by CIPFA.

² Included within trade debtors is £1.062m in relation to Disabled Facility Grant income receivable from Derbyshire County Council. This amount has been received shortly after the Balance Sheet date so has been excluded from the historical risk of default calculation.

NOTES TO THE ACCOUNTS

No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits or bonds.

The table below shows that £387,000 of the trade debtor's balance of £1,828,000 is more than one year overdue. An analysis of debtors by age is as follows:

Period Past Due Date	31 st March	31 st March	31 st March
	2021	2022	2023
	£'000	£'000	£'000
Less than 3 months	257	204	1,366
Three to six months	38	22	35
Six months to one year	95	118	40
More than one year	160	223	387
	<hr/>	<hr/>	<hr/>
	550	567	1,828

Liquidity Risk

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

The council has ready access to the money markets to borrow funds in order to cover any day to day cash flow need, and can also access loans from the Public Works Loan Board if necessary. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore, no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

All financial assets are due within one year.

Refinancing and Maturity Risk

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

The approved treasury indicator limits, placed on investments 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 officer responsible for treasury management assesses the operational risks within the approved parameters. This includes monitoring of the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments to provide stability of maturities and returns in relation to the longer term cash flow.

NOTES TO THE ACCOUNTS

The council has no longer term financial liabilities at 31st March 2023. The maturity analysis of financial assets and liabilities is disclosed in the note below.

Maturity Date	Financial Assets		Financial Liabilities	
	31 st March 2022 £'000	31 st March 2023 £'000	31 st March 2022 £'000	31 st March 2023 £'000
Less than 1 year - cash	(1,273)	(2,246)	0	0
Less than 1 year – debtors and creditors	(2,990)	(3,677)	16,579	5,253
Less than 1 year - other financial instruments	(24,273)	(8,733)	0	0
Between 1 - 2 years	(335)	(271)	0	0
Between 2 - 5 years	0	0	0	0
Between 5 - 10 years	0	0	0	0
Over 10 years	0	0	0	0
Total Financial Assets and Liabilities	(28,871)	(14,927)	16,579	5,253

Market Risk

There are three elements to market risk:

- interest rate risk,
- price risk,
- foreign exchange risk.

Interest Rate Risk

The council is exposed to interest rate movements on its investments. Movements in interest rates can have a complex impact on the council, depending upon how variable and fixed rates move across different financial instrument periods. For example, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates would result in interest credited to the Comprehensive Income and Expenditure Statement increasing,
- investments at fixed rates would see the fair value of assets fall.

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

During the financial year the council did not have any variable rate investments. The council had no long term investments at 31st March 2023. No fair value adjustment is therefore required for fixed rate investments.

NOTES TO THE ACCOUNTS

The table below shows the impact of a 1% increase in interest rates at 31st March 2023.

	£'000
Increase in interest receivable ¹	(191)
Impact on Surplus or Deficit on the Provision of Services	(191)

¹ Applied to short term and variable rate instruments.

Equity Price Risk

The council does not directly invest in equity shares. It therefore has no exposure to loss arising from movements in the price of shares. Pension Fund investments are made on the council's behalf by the Derbyshire County Council Pension Fund and Nottinghamshire County Council Pension Fund.

Foreign Exchange Risk

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

16. Inventories

The transport, parks and other inventories only show the net change within the year. These items are kept for service provision purposes only and no trading account is therefore maintained.

	31 st March 2021 £'000	Additions £'000	Disposals £'000	31 st March 2022 £'000	Additions £'000	Disposals £'000	31 st March 2023 £'000
Wheeled bins	16	116	(94)	38	69	(68)	39
Recycling bins	0	31	(21)	10	2	(8)	4
	16	147	(115)	48	71	(76)	43
Transport	86	47	(20)	113	159	(199)	73
Parks	6	47	(43)	10	66	(56)	20
Other	9	1	(1)	9	1	(1)	9
	101	95	(64)	132	226	(256)	102
	117	242	(179)	180	297	(332)	145

NOTES TO THE ACCOUNTS

17. Debtors and Long Term Receivables

This note analyses debtors between short term (less than 12 months) and long term (12 months or longer).

Short Term Debtors

	31st March 2022 £'000	31st March 2023 £'000
Central government bodies	395	1,530
Other local authorities	6,777	7,599
Other entities and individuals	3,954	4,168
	<hr/>	<hr/>
	11,126	13,297
Payments in advance	833	517
Less provision for bad debts	(1,312)	(1,350)
Total	<hr/>	<hr/>
	10,647	12,464

Long Term Debtors and Receivables

	31st March 2022 £'000	31st March 2023 £'000
Other local authorities	239	199
Other entities and individuals	335	272
	<hr/>	<hr/>
	574	471
Less provision for bad debts	0	0
	<hr/>	<hr/>
	574	471

NOTES TO THE ACCOUNTS

Short term and long term debtors can be analysed as follows:

	31st March 2022 £'000	31st March 2023 £'000
Short Term		
Trade customers	68	93
Related parties	7,612	9,763
Prepayments	833	517
Other amounts	3,446	3,441
Less provision for bad debts	(1,312)	(1,350)
	10,647	12,464
Long Term		
Related parties	281	224
Other amounts	293	247
	574	471

The council maintains three provisions for bad debts namely: general debtors and housing benefit overpayments, council tax debtors and NNDR debtors. The movements on these provisions are shown in the tables below:

	31st March 2022 £'000	31st March 2023 £'000
General Debtors and Housing Benefit Overpayments Bad Debt Provision		
Opening balance	721	689
Additions/(reductions)	113	58
Use in year	(145)	(20)
Closing balance	689	727

	31st March 2022 £'000	31st March 2023 £'000
Council Tax Bad Debt Provision		
Opening balance	232	347
Additions	138	38
Use in year	(23)	(22)
Closing balance	347	363

The provision for council tax bad debts represents the council's share of an overall provision which is divided between the precepting authorities on the basis of their respective share of the council tax income.

NOTES TO THE ACCOUNTS

	31st March 2022 £'000	31st March 2023 £'000
NNDR Bad debt Provision		
Opening balance	236	276
Additions	56	30
Use in year	(16)	(46)
Closing balance	276	260

The provision for NNDR debts represents the council's share of an overall provision which is divided between the precepting authorities on the basis of their respective share of the NNDR income.

18. Cash and Cash Equivalents

Cash is represented by notes and coins held by the council and deposits available on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

	31st March 2022 £'000	31st March 2023 £'000
Cash held by the council	1,273	2,246
Short term investments of less than 3 months duration	20,273	8,733
Short term investment of less than 1 year duration	4,000	0
	25,546	10,979

19. Creditors

Short Term Creditors

	31st March 2022 £'000	31st March 2023 £'000
Central government ¹	17,814	3,881
Other local authorities	1,765	2,212
Other entities and individuals	2,939	3,558
	22,518	9,651

NOTES TO THE ACCOUNTS

¹Within central government creditors for 2021/22 is £5.954m of COVID grants of which £5.801m has either been distributed or returned to central government during 2022/23. In addition within central government creditors for 2021/22 is £7.121m relating to the Energy Rebate scheme of which £7.048m has been distributed during 2022/23.

The council does not have any material long term creditors.

20. Provisions

The following tables show both short term and long term provisions.

	Balance 1st April 2022 £'000	Additions £'000	Amounts Used £'000	Balance 31st March 2023 £'000
NNDR provision for appeals	1,234	563	(460)	1,337
	1,234	563	(460)	1,337

NNDR Provision for Appeals

Under the rates retention scheme the council is liable for refunding ratepayers who appeal successfully against the rateable value of their property on the rating list. The Collection Fund included a provision of £3,085,700 in respect of appeals lodged by 31st March 2022 of which the council's share was £1,234,300. The level of refunds on successful appeals for the Collection Fund as a whole was £1,149,500 of which the council's share was £459,800.

A provision, based on the Valuation Office Agency's report has been established for appeals lodged at 31st March 2023. Each appeal has been categorised based on the grounds of appeal. A percentage has been applied to these categories based on the past success rate and the impact was then assessed on the rateable value. The largest value appeals by rateable value have been analysed separately based on local knowledge. A provision of £3,420,400 has been included in the Collection Fund at 31st March 2023 in respect of these appeals, of which the council's share is £1,337,000.

NOTES TO THE ACCOUNTS

21. Cash Flow Statement

The below table provides more detail on the figures contained within the Cash Flow Statement.

2021/22 £'000		2022/23 £'000
(1,431)	Net (deficit) or surplus on the provision of services	(2,032)
	Adjust net surplus or deficit on the provision of services for non cash movements	
1,249	Depreciation	1,318
16	Amortisation	183
(63)	Decrease / (increase) in inventories	35
(945)	(Increase) / decrease in debtors	(1,752)
123	Increase) / (decrease) in provision for bad debts	38
5,653	(Decrease) / increase in creditors	(12,867)
2,784	Net pension liability	2,340
440	Carrying amount of non current assets sold	(374)
	Other non cash items charged to the net surplus or deficit on the provision of services	
203	Increase / (decrease) in provisions	103
663	Capital grants unapplied	1,015
(362)	Movement in the value of investment properties and property, plant and equipment	172
9,319		(9,789)
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(33)	Proceeds from short term and long term investments	(438)
(35)	Proceeds from the sale of property, plant and equipment, investment property, and intangible assets	(39)
(442)	Other receipts from investing activities	(543)
(663)	Capital grants unapplied	(1,015)
(1,173)		(2,035)
6,715	Net Cash flow from Operating Activities	(13,856)
	Investing Activities	
(1,909)	Purchase of property, plant and equipment, investment property and intangible assets	(1,731)
35	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	39
33	Proceeds from short term and long term investments	438
442	Other receipts from investing activities	543
(1,399)	Net cash outflow from investing activities	(711)
5,316	Net Increase / (Decrease) in Cash and Cash Equivalents	(14,567)

NOTES TO THE ACCOUNTS

22. Agency Income and Expenditure

The council has an agency agreement with Derbyshire County Council whereby the council is responsible for amenity maintenance within the borough on behalf of the county council. The county council reimburses the council for this work. A summary of the expenditure incurred in respect of the activity is as follows:

	2021/22 £'000	2022/23 £'000
Amenity maintenance	149	149
Administrative costs	12	12
	<u>161</u>	<u>161</u>

23. Members' Allowances

During 2022/23 a total of £313,916 (2021/22 £306,714) was paid to Members of the council in the form of allowances and expenses. These figures include superannuation and national insurance contributions.

NOTES TO THE ACCOUNTS

24. Officers' Remuneration

The remuneration paid to the council's senior officers is as follows:

		Salary £	Benefit in Kind £	Compensation for loss of employment £	Employers' Pension Contribution £	Total £
Chief Executive	2022/23	123,937	1,239	0	34,486	159,662
	2021/22	122,012	1,239	0	34,197	157,448
Director of Resources and Deputy Chief Executive ¹	2022/23	98,784	265	0	6,091	105,140
	2021/22	100,480	1,239	0	28,162	129,881
Director of Resources ²	2022/23	6,526	87	0	1,818	8,431
Director of Environmental ³ and Community Services	2022/23	11,378	310	0	0	11,688
	2021/22	60,908	1,239	0	9,701	71,848
Director of Environmental ⁴ and Community Services	2022/23	81,563	1,109	0	22,588	105,260
Head of Personnel ⁵	2022/23	67,997	1,019	32,131	15,575	116,722
	2021/22	66,401	1,239	0	18,611	86,251
Head of Green Space and Street Scene	2022/23	69,826	1,239	0	19,383	90,448
	2021/22	66,401	1,239	0	18,611	86,251
Head of Environment Health and Housing	2022/23	68,326	1,239	0	18,958	88,523
	2021/22	66,401	1,239	0	18,611	86,251
Head of Planning and Regeneration	2022/23	68,326	1,239	0	18,958	88,523
	2021/22	66,401	1,239	0	18,611	86,251
Head of Law and Corporate Governance ⁶	2022/23	1,050	17	0	241	1,308
	2021/22	67,788	1,239	0	18,611	87,638
Head of Law and Governance ⁷	2022/23	51,781	823	0	14,390	66,994
Head of Property and Estates ⁸	2022/23	61,858	1,005	0	17,163	80,026

The following changes in respect of the council's senior officers occurred during 2022/23 and 2021/22 and are relevant to the table of remuneration paid to the council's senior officers above:

¹ Director of Resources and Deputy Chief Executive ceased employment with the council on 17 June 2022.

² Director of Resources commenced employment with the council on 6 March 2023.

³ Director of Environmental and Community Services ceased employment with the council on 30 June 2022.

⁴ Director of Environmental and Community Services commenced employment with the council on 9 May 2022

⁵ Head of Personnel was made redundant on 27 January 2023.

⁶ Head of Law and Corporate Governance ceased employment with the council on 5 April 2022.

⁷ Head of Law and Governance commenced this employment on 2 August 2022.

⁸ Head of Property and Estates commenced this employment on 9 June 2022.

NOTES TO THE ACCOUNTS

The number of employees, whose remuneration excluding employer's pension contributions, was £50,000 or more per year are set out below. This note includes senior officers whose remuneration is disclosed above.

	Number of Employees 2021/22	Number of Employees 2022/23
£50,000 – £54,999	7	7
£55,000 – £59,999	0	2
£60,000 – £64,999	1	1
£65,000 – £69,999	5	2
£70,000 – £74,999	0	1
£75,000 – £79,999	0	0
£80,000 – £84,999	0	1
£85,000 – £89,999	0	0
£90,000 – £94,999	0	0
£95,000 – £99,999	0	1
£100,000 – £104,999	1	1
£105,000 – £109,999	0	0
£110,000 – £114,999	0	0
£115,000 – £119,999	0	0
£120,000 – £125,000	1	0
£125,000 - £130,000	0	1
	15	17

The number of exit packages with total cost per band and total cost of redundancies and other departures are set out in the table below:

Exit package cost band (including special payments)	Number of redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £	2022/23 £
£0 - £20,000	1	0	6	2	7	2	30,920	3,298
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	1	0	0	0	1	0	43,924
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	1	1	6	2	7	3	30,920	47,222

25. External Audit Costs

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

NOTES TO THE ACCOUNTS

	2021/22 £'000	2022/23 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year ¹	44	44
Fees payable for the certification of grant claims and returns for the year	13	16
Fees payable in respect of other services provided during the year	0	0
	57	60

¹The fees in the above note reflect the agreed fees as per the Audit Plan. The council have accrued £24,000 for both 2021/22 and 2022/23 towards anticipated additional audit fees.

26. Grant Income

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

	2021/22 £'000	2022/23 £'000
Credited to Taxation and Non Specific Grant Income:		
NNDR retention scheme distribution	4,499	5,397
- Revenue Support Grant	106	109
- Other Government Grants	79	343
- New Homes Bonus Scheme	102	182
- Lower Tier Services Grant	143	152
- Services Grant	0	229
- COVID Support Grants	1,093	0
Non Ring Fenced Government Grants	1,523	1,015
Capital Grants and Contributions	2,095	1,049
	8,117	7,461
Credited to Services:		
- Council Tax and Housing Benefit Subsidy	19,388	18,766
- Council Tax and Housing Benefit Administration	416	429
- NNDR cost of collection	131	131
- Homelessness	300	249
- Towns Fund	0	203
- Levelling Up Fund	0	125
- Shared Prosperity Fund	0	9
- Council Tax Energy rebate discretionary grants	0	185
- COVID Discretionary grants	2,527	0
- COVID National Leisure Recovery Fund	256	0
- COVID Other	27	75
- Other	132	69
	23,177	20,241

NOTES TO THE ACCOUNTS

The NNDR income retention is made up of the following elements.

	2021/22 £'000	2022/23 £'000
Collection Fund NNDR income	24,424	21,492
Distributed to Central Government, Derbyshire County Council and Derbyshire Fire Authority	(14,654)	(12,895)
Erewash Borough Council NNDR income	9,770	8,597
Business rate tariff	(6,507)	(6,507)
Net NNDR income	3,263	2,090
S31 grant received	3,167	3,324
Levy account surplus redistribution	0	28
Growth payable to the Derbyshire NNDR pool	(509)	(618)
Pooling benefit receivable	356	710
Pooling benefit actual outturn adjustment 2020/21	0	(8)
Previous year pooling benefit accrual adjustment	98	251
NNDR Deficit	(1,876)	(380)
	<u>4,499</u>	<u>5,397</u>

Grants and contributions may be received in advance of expenditure, or may have conditions attached that have to be met prior to the funds being applied. In addition, the council occasionally receives donated assets. Where there are no conditions to the donation, it is treated as income in the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account. The following table shows the year end balances on these grants.

Capital Grants Unapplied	Balance 31st March 2022 £'000	Grants Received in Year £'000	Grants Applied in Year £'000	Balance 31st March 2023 £'000
Disabled Facilities Grants	2,372	1,062	(616)	2,818
The Old Stables, Dalby House – learning & visitor centre	3	0	0	3
Barling Lane	1	0	0	1
Towns Fund	0	188	0	188
Shared Prosperity Fund	0	286	0	286
LAD2 Midlands Energy Hub	306	372	(372)	306
Home Upgrade Grant	0	95	0	95
Re-deployable cameras	0	33	(33)	0
	<u>2,682</u>	<u>2,036</u>	<u>(1,021)</u>	<u>3,697</u>

NOTES TO THE ACCOUNTS

27. Related Party Transactions

The council is required to disclose material transactions with related parties i.e. 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 an assessment of the extent to which the council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

Central Government has 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 the 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 charges, housing benefits). Grant receipts at 31st March 2023 are shown in note 26 on page 86.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in note 23 on page 83. The only matters reported were those where members held positions within charitable or community organisations which received some financial support from the council. Where necessary members declared such interests when relevant to their duties and thus no further disclosure is considered necessary. The register of interests for each council Member can be found on the council's website using the following link: [councillors and meetings / your councillors](#), and then by clicking on each council Member.

Officers

Officers of the Council have not declared any related party transactions.

The most significant transactions with related parties are disclosed elsewhere in the Statement of Accounts as follows:

- Capital grants from central government - note 26 page 86;
- Precepts paid to other local authorities - Collection Fund Accounts, pages 102 - 106;
- Superannuation contributions – note 29 page 90.

NOTES TO THE ACCOUNTS

The following table details the other significant transactions for the period 1st April 2022 to 31st March 2023 with organisations with which the council has a related party interest.

	2021/22 Receipts £'000	2021/22 Payments £'000	2022/23 Receipts £'000	2022/23 Payments £'000
Revenue				
Bramcote Bereavement Services Joint Committee	(400)	0	(400)	0
Derbyshire County Council, amenity maintenance	(161)	0	(161)	0
Derbyshire County Council, registrar services	(8)	0	(8)	0
Concurrent function grants to Parish Councils	0	192	0	192
Other grants to Parish Councils	0	4	0	5
Mid-Derbyshire Citizens Bureau	0	60	0	60
Erewash Partnership	0	94	0	118
Erewash Community Transport	0	3	0	6
Derbyshire Wildlife Trust	0	11	0	11
District Councils Network	0	2	0	3
Derbyshire Economic Partnership	0	15	0	15
Erewash Voluntary Action	0	3	0	3
Active Partnership Trust	0	15	0	15
Stirland Paterson	0	0	0	1
Derby County Community Trust	0	2	0	2
Canal and River Trust	0	0	0	2
Capital				
East Midlands Housing Agency	(361)	0	(484)	0

Brief details of the nature of the transactions with the organisations are set out below. There are no outstanding material sums relating to the 2022/23 financial year.

Bramcote Bereavement Services Joint Committee (BBSJC) – the council jointly operates Bramcote Crematorium with Broxtowe Borough Council. During the year the council received a payment of £400,000 as a share of the operating surplus.

Grants to parishes in respect of concurrent functions. A number of parish councils within the borough provide services that would otherwise be carried out by the borough council. These are principally grounds maintenance related although they also include some other amenity services. The council pays an agreed annual sum to the parishes for this work.

The council has related party transactions (including the payment of grants) to the following organisations as follows;

- Derbyshire Districts Citizens Advice Bureau – financial contribution towards operating expenses.
- Erewash Partnership. Financial contribution towards running costs. The membership of this organisation includes over 350 local businesses, Erewash Borough Council, Derbyshire County Council and representatives from the education sector and the community.
- Derbyshire County Council - the council undertakes amenity maintenance and the payment is a reimbursement for the cost of the work and administrative costs;
- Derbyshire County Council - share of room hire for weddings and rental income from the lease of part of Ilkeston Town Hall and Long Eaton Town Hall for use by the Registrar Services.
- Derbyshire Economic Partnership – contribution towards operating expenses.

NOTES TO THE ACCOUNTS

- Erewash Community Transport – a contribution towards the operating expenses.
- Derbyshire Wildlife Trust – a contribution towards the upkeep of local wildlife sites.
- Erewash Voluntary Action – Health Improvement grant.
- Active Partnership Trust – sports development grant.
- Derby County Community Trust – sports development grant.
- District Councils Network – annual subscription.
- Stirland Patterson – printing costs

28. Employment Benefits - Short Term Accumulating Compensated Absences

As at 31st March a number of the council's employees had not taken their annual leave entitlement or had worked additional hours for which they are entitled to compensatory time off. This represents a liability for the council and under IAS 19 the council is required to disclose the nature of this liability in its Balance Sheet. In order that there is no ultimate impact upon the General Fund balance. The accrual set up in the Balance Sheet is matched by an unusable reserve - the Short Term Accumulating Compensated Absences Reserve. The total of short term accumulating compensated absences for 2022/23 is £112,000 (2021/22, £220,000).

29. Employee Benefits – Post-Employment Benefits

Participation in Pension Scheme

Erewash Borough Council employees

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

The council participates in the Local Government Pension Scheme (LGPS) administered by Derbyshire County Council. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Bramcote Bereavement Services Joint Committee (BBSJC) employees.

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

The Joint Committee participates in the Local Government Pension Scheme, administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that both the Joint Committee and employees pay contributions into a

NOTES TO THE ACCOUNTS

fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they fall due.

The Local Government Pension Scheme in Nottinghamshire is operated under a regulatory framework and the governance of the scheme is the responsibility of the Pension Fund Committee at Nottinghamshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Joint Committee of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund balance the amounts required by statute.

Leisure Services

On 1 February 2019 the council outsourced the management of leisure services to Parkwood Leisure Limited. This involved the transfer of staff to Legacy Leisure Limited (subcontractor to Parkwood) under Transfer of Undertakings (Protection of Employment) Regulations. The contractual arrangement between the council and Legacy Leisure Limited is that a pass through arrangement is in place in relation to the pension membership of the Leisure Services employees. This means that the risks and obligations of the assets and liabilities relating to leisure services employees remains with the council.

Transactions Relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that the council is required to make against the council tax is based on the cash payable in the year. The real cost of retirement benefits, including the gain on settlement detailed above, is reversed out of the General Fund in the Statement of Movement in Reserves, in the line headed 'Adjustment Between Accounting Basis and the Funding Basis under Regulation'. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in Reserves.

NOTES TO THE ACCOUNTS

Comprehensive Income and Expenditure Statement	2021/22			2022/23		
	Funded £'000	Unfunded £'000	Total £'000	Funded £'000	Unfunded £'000	Total £'000
Net Cost of Services						
Current service cost	(3,951)	0	(3,951)	(3,494)	0	(3,494)
Past service costs	(16)	0	(16)	(24)	0	(24)
Financing and Investment Income and Expenditure						
Net interest on the net defined benefit liability	(1,060)	0	(1,060)	(1,073)	0	(1,073)
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	(5,027)	0	(5,027)	(4,591)	0	(4,591)
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
• Other actuarial gains/(losses)	0	0	0	1	0	1
• Return on plan assets (excluding the amount included in the net interest)	5,837	0	5,837	(6,115)	0	(6,115)
• Actuarial gains and losses arising on changes in demographic assumptions	52	0	52	1,487	0	1,487
• Actuarial gains and losses arising on changes in financial assumptions	8,083	0	8,083	50,705	0	50,705
• Actuarial gains and losses arising on other experience	1,862	0	1,862	(8,320)	0	(8,320)
	15,834	0	15,834	37,758	0	37,758
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	10,807	0	10,807	33,167	0	33,167
Statement of Movement in Reserves						
Adjustment between accounting basis and funding basis under regulation	(12,982)	(75)	(13,057)	(35,350)	(75)	(35,425)
Actual amount charged against the General Fund balance for pensions in year						
Employer's contributions payable to the scheme	2,175	75	2,250	2,183	75	2,258

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement has not been provided by the actuaries.

NOTES TO THE ACCOUNTS

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefits plans are as follows:

	2021/22			2022/23		
	Funded £'000	Unfunded £'000	Total £'000	Funded £'000	Unfunded £'000	Total £'000
Erewash Borough Council	(147,310)	(948)	(148,258)	(108,057)	(821)	(108,878)
BBSJC (crematorium)	(1,687)	0	(1,687)	(858)	0	(858)
Present value of the defined benefit obligation	(148,997)	(948)	(149,945)	(108,915)	(821)	(109,736)
Erewash Borough Council	109,853	0	109,853	105,073	0	105,073
BBSJC (crematorium)	920	0	920	916	0	916
Fair value of plan assets	110,773	0	110,773	105,989	0	105,989
Erewash Borough Council	(37,457)	(948)	(38,405)	(2,984)	(821)	(3,805)
BBSJC (crematorium)	(767)	0	(767)	58	0	58
Net liability arising from defined benefit obligation	(38,224)	(948)	(39,172)	(2,926)	(821)	(3,747)

Reconciliation of the Movements in the Fair Value of Schemes Assets

	2021/22			2022/23		
	EBC £'000	BBJSC £'000	Total £'000	EBC £'000	BBJSC £'000	Total £'000
Opening fair value of scheme assets	105,188	846	106,034	109,853	920	110,773
Interest income on plan assets	2,087	17	2,104	2,942	24	2,966
Remeasurement gain / (loss): The return on plan assets, excluding the amount included in the net interest expense	4,155	48	4,203	(6,074)	(41)	(6,115)
Contributions from employer	2,226	24	2,250	2,233	25	2,258
Contributions from employees into the scheme	492	7	499	493	7	500
Benefits paid	(4,295)	(22)	(4,317)	(4,374)	(20)	(4,394)
Other actuarial gains/(losses)	0	0	0	0	1	1
Closing fair value of scheme assets	109,853	920	110,773	105,073	916	105,989

The estimated bid value of the Derbyshire Local Government Pension Scheme fund's assets at 31st March 2023 is £5.254 billion (31st March 2022 £5.493 billion).

NOTES TO THE ACCOUNTS

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

The total contributions made by the council to the Derbyshire Local Government Pension Scheme in 2022/23 was £2,233,000 (2021/22 £2,226,000). The total contributions made by the BBJSC to the Nottinghamshire Local Government Pension Scheme in 2022/23 was £25,000 (2021/22 £24,000).

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

	EBC	2021/22	Total	EBC	2022/23	Total
	£'000	BBJSC	£'000	£'000	BBJSC	£'000
		£'000	£'000		£'000	£'000
Opening balance at 1st April	(156,552)	(1,711)	(158,263)	(148,258)	(1,687)	(149,945)
Current service cost	(3,892)	(59)	(3,951)	(3,441)	(53)	(3,494)
Past service cost	(16)	0	(16)	(24)	0	(24)
Interest cost on defined benefit obligations	(3,130)	(34)	(3,164)	(3,995)	(44)	(4,039)
Contribution from scheme participants	(492)	(7)	(499)	(493)	(7)	(500)
Remeasurement (gains) and losses:						
• Actuarial gains (losses) on liabilities arising on changes in financial assumptions	7,977	106	8,083	50,139	566	50,705
• Actuarial gains (losses) on liabilities arising on changes in demographic assumptions	52	0	52	1,050	437	1,487
• Actuarial gains (losses) on liabilities arising on changes in other experience	3,500	(4)	3,496	(8,230)	(90)	(8,320)
Benefits paid	4,295	22	4,317	4,374	20	4,394
Closing balance at 31st March	(148,258)	(1,687)	(149,945)	(108,878)	(858)	(109,736)

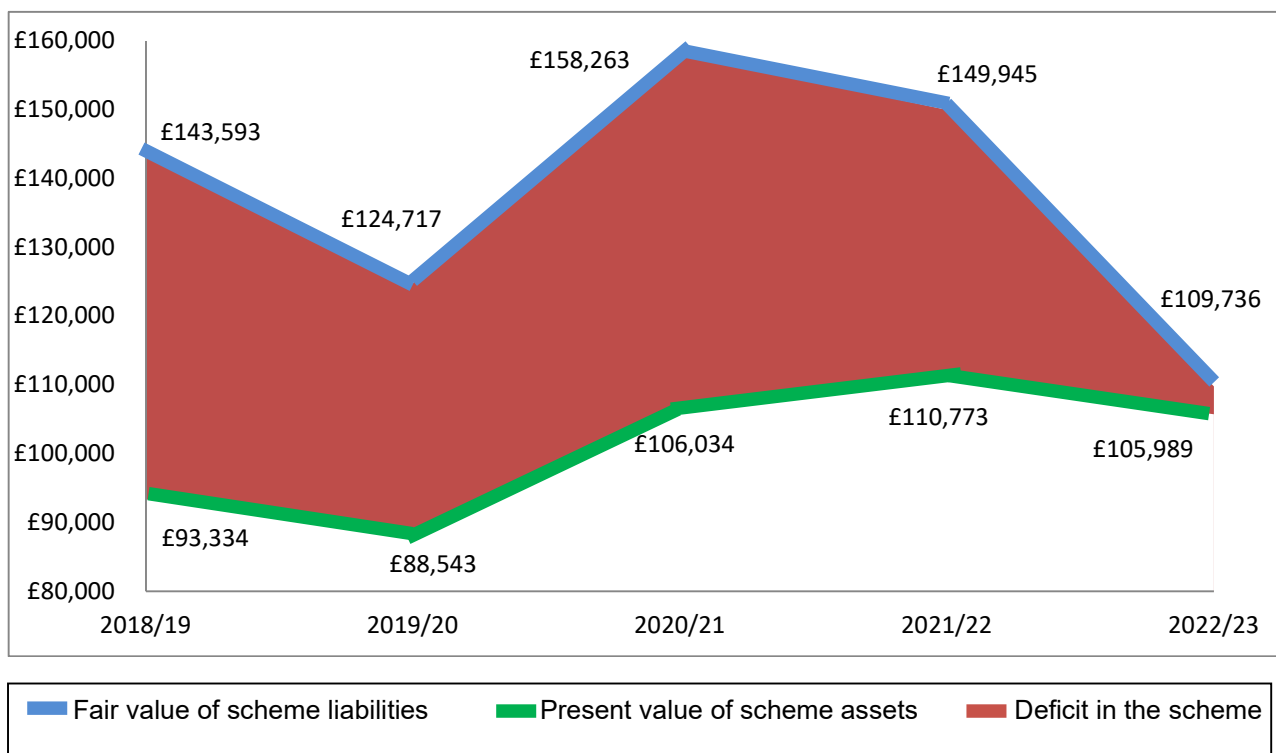
NOTES TO THE ACCOUNTS

Schemes History

The movement on the pension schemes' assets and liabilities over the last 5 years is shown below.

	Restated 2018/19 * £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Present value of the defined benefit obligation	(143,593)	(124,717)	(158,263)	(149,945)	(109,736)
Fair value of scheme assets (LGPS)	93,334	88,543	106,034	110,773	105,989
Surplus / (deficit) in the scheme	(50,259)	(36,174)	(52,229)	(39,172)	(3,747)

*The scheme history includes the assets and liabilities in relation to the Bramcote Bereavement Services Joint Committee from 2018/19 onwards, following the adoption in 2019/20 of IAS19 Employee Benefits by the committee.



The liabilities show the underlying commitments that the council has in the long term to pay post-employment (retirement benefits). The total liability of £3.747m has an impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit will be addressed by increasing employer contributions over the remaining working life of employees, as assessed by the scheme actuary on a triennial basis.

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets

The assets of the Local Government Pension Scheme are valued at fair value and consist of the following categories by proportion of the total assets held by the Fund. All of the assets relate to the funded part of the scheme, the unfunded part has no assets to cover its liabilities.

Erewash Borough Council's share of the Derbyshire Local Government Pension Scheme assets was as follows:

Asset Category	2021/22				2022/23			
	Quoted prices in active markets £'000	Quoted prices not in active market £'000	Total £'000	% of total assets	Quoted prices in active markets £'000	Quoted prices not in active market £'000	Total £'000	% of total assets
Cash and cash equivalent	0	4,936	4,936	5%	0	3,090	3,090	3%
Equity Securities:								
Consumer	435	0	435	1%	330	0	330	0%
Manufacturing	280	0	280	0%	131	0	131	0%
Energy and utilities	138	0	138	0%	97	0	97	0%
Financial institutions	209	0	209	0%	132	0	132	0%
Health and care	288	0	288	0%	182	0	182	0%
Information technology	394	0	394	1%	218	0	218	0%
Other	3,845	0	3,845	3%	3,076	0	3,076	3%
<i>Total equity</i>	5,589	0	5,589	5%	4,166	0	4,166	3%
Debt Securities								
Corporate bonds	6,802	7,495	14,297	13%	5,986	7,479	13,465	13%
UK Government	9,219	0	9,219	8%	8,496	0	8,496	8%
Other	1,951	0	1,951	2%	1,748	0	1,748	2%
<i>Total debt</i>	17,972	7,495	25,467	23%	16,230	7,479	23,709	23%
Private Equity	2,053	3,220	5,273	5%	1,601	3,508	5,109	5%
UK Property	589	8,070	8,659	8%	248	8,045	8,293	8%
Investment funds and unit trusts								
Equities	32,682	18,195	50,877	46%	17,861	31,532	49,393	47%
Infrastructure	2,296	6,756	9,052	8%	2,110	9,203	11,313	11%
<i>Total investment funds and unit trusts</i>	34,978	24,951	59,929	54%	19,971	40,735	60,706	57%
Total	61,181	48,672	109,853	100%	42,216	62,857	105,073	100%

NOTES TO THE ACCOUNTS

Bramcote Bereavement Services Joint Committee's share of the Nottinghamshire Local Government Pension Scheme assets was as follows:

	2021/22		2022/23	
	Total £'000	Total £'000	Total £'000	% of total assets
Cash and cash equivalents	52	6%	45	6%
Equity instruments	615	68%	613	66%
Gilts	29	3%	19	2%
Other Bonds	68	7%	57	6%
Property	105	11%	112	12%
Infrastructure	50	5%	70	8%
Total Assets	919	100%	916	100%

Basis for Estimating Assets and Liabilities

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

The Derbyshire Local Government Pension Fund liabilities have been assessed by Hymans Robertson LLP, the funds actuaries, based on the latest full valuation of the scheme as at 31st March 2022.

The significant assumptions for the Derbyshire Local Government Pension Scheme used by the actuary have been:

Derbyshire local Government Pension Scheme Assumptions	2021/22	2022/23
	%	%
Rate of increase in salaries	4.20	4.00
Rate of increase in pensions	3.20	3.00
Rate of discounting scheme liabilities	2.70	4.75
Mortality Assumptions	Years	Years
Longevity at 65 for current pensioners		
- Men	21.3	21.0
- Women	24.3	24.0
Longevity at 65 for future pensioners		
- Men	22.2	21.8
- Women	25.8	25.5
Take up option to convert annual pension into retirement lump sum*	50	50

* Members of the Local Government Pension Scheme retiring on or after 6th April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of the actuaries the council has

NOTES TO THE ACCOUNTS

assumed that 50% of employees retiring after that date will take advantage of this change to the scheme.

The significant assumptions for the Nottinghamshire Local Government Pension Scheme used by the actuary have been:

Nottinghamshire Local Government Pension Scheme Assumptions	2021/22	2022/23
	%	%
Rate of increase in salaries	4.2	3.9
Rate of increase in pensions	3.2	2.9
Rate of discounting scheme liabilities	2.6	4.8
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	21.6	20.7
- Women	24.3	23.5
Longevity at 65 for future pensioners		
- Men	23.0	22.0
- Women	25.8	25.0

Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practise this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, and on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Derbyshire Local Government Pension Scheme	Approximate	Approximate
Change in assumptions at 31st March 2023	% increase	monetary
	to Employer	amount
	Liability	£'000
	%	
0.1% decrease in real discount rate	2%	1,732
1 year increase in member life expectancy	4%	4,355
0.1% increase in the salary increase rate	0%	202
0.1% increase in the pension increase rate	1%	1,553

NOTES TO THE ACCOUNTS

Nottinghamshire Local Government Pension Scheme Change in assumptions at 31st March 2023	Increase in Assumption £'000	Decrease in Assumption £'000
0.1% decrease in real discount rate	30	(31)
0.1% increase in the salary increase rate	4	(4)
0.1% increase in the pension increase rate	27	(27)

Impact on the Council's Cash Flows

Funding levels are monitored on an annual basis. The contributions paid are set by the Fund Actuary at each triennial actuarial valuation, or at any other time as instructed by the administering authorities, Derbyshire County Council for Erewash Borough Council and Nottinghamshire County Council for the Bramcote Bereavement Services Joint committee.

During the 2023/24 financial year it is estimated that the council will make contributions totalling £2,106,000 to the Derbyshire Local Government Pension Fund in respect of Erewash Borough Council and £31,000 to the Nottinghamshire local Government Pension Fund in respect of the Bramcote Bereavement Services Joint Committee.

Virgin Media Judgement

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, Erewash Borough Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

30. Contingent Liabilities and Contingent Assets

Contingent Liabilities

These relate to pending legal or contractual claims not included in the accounts and guarantees given by the council for repayment of loans taken out by certain associated companies.

NOTES TO THE ACCOUNTS

Leisure Services

The council has entered into a long term contract for the provision of leisure services with Parkwood Leisure Limited. There has been a transfer of council leisure services employees to Legacy Leisure Limited who are the subcontractors for Parkwood on the contract. Parkwood Leisure Limited are providing a parent company guarantee in respect of Legacy Leisure Limited. A pass through arrangement is in place in relation to the pension membership of leisure services employees. This means that the risks and obligations of the assets and liabilities relating to leisure services employees remains with the council.

In the event of the premature termination of the contract due to the insolvency, winding up or liquidation of the contractor, Parkwood has agreed to put in place a £200,000 bond to contribute towards any deficit on the Pension Fund, including redundancy costs. The council is guaranteeing any amount above this figure but have agreed with the pension administrators that any sums due from the authority will be recouped via ongoing changes to the employers' contribution rates rather than as a lump sum.

At the normal end of the contract, if an exit payment is required to be paid to the Pension Fund then agreement has been made via the contract that the council will meet any deficit in the first instance and, as above, the county council has accepted that this can be recovered through contribution rate changes over the longer term. In mitigation of this, the starting point is one of a fully funded pension position on transfer, the opening contribution rate has been set at a prudent level and there is a full 'pass through' arrangement in place whereby the council is liable for any changes needed to the employers' contribution rate over the life of the contract. The scheme is also 'closed' i.e. not open to new employees. The Pension Fund is revalued on a triennial basis.

The likelihood of any potential liability will be assessed at each balance sheet date during the lifetime of the contract. The likelihood of any liability occurring during the current year has been assessed as remote.

Contingent Assets

The council does not have any contingent assets.

31. Joint Venture - Bramcote Bereavement Services Joint Committee

The role of Erewash Borough Council and Broxtowe Borough Council with regard to the Bramcote Bereavement Services Joint Committee is such that the Crematorium is considered to be a joint operation as defined by IFRS11 *Joint Arrangements*. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity such that no individual contracting party has control.

Under the terms of the joint arrangement the council has the rights to the assets, and obligations for the liabilities, relating to the arrangement and therefore is classified under IFRS11 as a joint operation.

The council accounts for the joint operation under IFRS11 only for its 50% share of the jointly controlled assets, liabilities and expenses that it incurs on its own behalf or jointly

NOTES TO THE ACCOUNTS

with others in respect of its interest in the joint operation and income that it earns from the joint operation.

The accounts of Bramcote Bereavement Services Joint Committee have been prepared in accordance with The 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 (November 2022). Further information about the accounts can be obtained by contacting the Deputy Chief Executive, Broxtowe Borough Council, Council Offices, Foster Avenue, Beeston, Nottingham NG9 1AB.

32. Charitable Stewardship

The council has a stewardship role in a number of charitable accounts which it administers but which are not included in the Balance Sheet. These amounts are summarised below:

2022/23	Opening Balance £'000	Expenditure £'000	Income £'000	Closing Balance £'000
Long Eaton United Charities *	13	0	1	14
Copley Charity	5	(4)	1	2
Mayor's Charity	3	(3)	2	2
	21	(7)	4	18

2021/22	Opening Balance £'000	Expenditure £'000	Income £'000	Closing Balance £'000
Long Eaton United Charities *	12	0	1	13
Copley Charity	4	0	1	5
Mayor's Charity	1	(4)	6	3
	17	(4)	8	21

* The amounts shown above is the cash held at bank for Long Eaton United Charities. In addition the charity has holdings with an investment fund. The holding at 31 March 2023 had a bid market value of £21,705 (31 March 2022 £24,561).

The purposes of the above charities are as follows:

- Long Eaton United Charity - this charitable bequest is used to provide small grants to charities operating in the former Long Eaton Urban District Council area.
- Copley Charity - the charity is the bequest of the late Reverend Copley. Each Christmas an amount is given to aged, sick and other deserving residents of the Ilkeston area. The amount is determined each year by the trustees.
- Mayor's Charity - each year the Mayor has the option to nominate a charity they would like to support during their year in office.

COLLECTION FUND

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non domestic rates.

2021/22 £'000	2022/23 Non Domestic Rates £'000	2022/23 Council Tax £'000	2022/23 Total £'000
Amounts required by statute to be credited to the Collection Fund			
Income			
(64,627) Council tax receivable	-	(67,068)	(67,068)
(323) Council tax discretionary reliefs	-	(204)	(204)
(20,467) Non domestic rates receivable	(20,920)	-	(20,920)
(45) Transitional Protection Payments	(85)	-	(85)
(85,462) Total amount credited to the Collection Fund	(21,005)	(67,272)	(88,277)
Amounts required by statute to be debited to the Collection Fund			
Expenditure			
Precepts and shares from major preceptors and the Council			
12,212 - Central Government	10,746	-	10,746
16,811 - Erewash Borough Council	8,597	7,282	15,879
48,824 - Derbyshire County Council	1,934	48,188	50,122
8,145 - Police and Crime Commissioner for Derbyshire	0	8,511	8,511
2,916 - Derbyshire Fire Authority	215	2,734	2,949
88,908	21,492	66,715	88,207

COLLECTION FUND

2021/22 £'000	2022/23 Non Domestic Rates £'000	2022/23 Council Tax £'000	2022/23 Total £'000
Contributions to major precepting authorities and the Council in respect of the surplus/(deficit) on the Collection Fund			
(5,640) - Central Government	(2,335)	-	(2,335)
(4,435) - Erewash Borough Council	(1,868)	(48)	(1,916)
(526) - Derbyshire County Council	(421)	(329)	(750)
82 - Police and Crime Commissioner for Derbyshire	-	(58)	(58)
(85) - Derbyshire Fire Authority	(47)	(19)	(66)
(10,604)	(4,671)	(454)	(5,125)
Charges to Collection Fund			
1,153 - Increase/(decrease) in provision for bad debts	(40)	156	116
508 - Increase/(decrease) in provision for appeals	256	-	256
246 - Debts written off	116	205	321
131 - Cost of collection allowance	131	-	131
2,038	463	361	824
80,342 Total Amount Debited to the Collection Fund	17,284	66,622	83,906
(5,120) Net Movement on Collection Fund Balance	(3,721)	(650)	(4,371)
11,657 (Surplus)/deficit brought forward 1st April	4,974	1,563	6,537
6,537 (Surplus)/deficit carried forward 31st March	1,253	913	2,166

COLLECTION FUND

2021/22 £'000	2022/23 Non Domestic Rates £'000	2022/23 Council Tax £'000	2022/23 Total £'000
Share of Collection Fund (surplus) / deficit			
2,487 - Central Government	626	-	626
2,159 - Erewash Borough Council	501	100	601
1,578 - Derbyshire County Council	113	660	773
199 - Police and Crime Commissioner for Derbyshire	-	116	116
114 - Derbyshire Fire Authority	13	37	50
6,537	1,253	913	2,166

NOTES TO THE COLLECTION FUND

1. Council Tax Base

The council's tax base at January 2022, the number of chargeable dwellings in each valuation band net of discounts converted to an equivalent number of Band D dwellings, was calculated as follows:

Valuation band	Number of dwellings per valuation list	Revised number of dwellings after discounts and exemptions	Ratio	Band D equivalent dwellings	Reduction for council tax support	Band D equivalents
A*	53.0	49.7	5/9	27.6	6.8	20.8
A	21,481.0	18,868.5	6/9	12,579.0	2,627.0	9,952.0
B	13,929.0	12,676.5	7/9	9,859.5	868.5	8,991.0
C	7,774.0	7,179.0	8/9	6,381.3	344.0	6,037.3
D	5,069.0	4,784.8	1	4,784.8	111.2	4,673.6
E	2,290.0	2,183.2	11/9	2,668.4	46.0	2,622.4
F	891.0	848.0	13/9	1,224.9	7.6	1,217.3
G	516.0	487.3	15/9	812.1	10.0	802.1
H	13.0	12.5	18/9	25.0	0	25.0
Total	52,016.0	47,089.5		38,362.6	4,021.1	34,341.5
Adjustment for Non-Collection 1.5%						(515.1)
						33,826.4
* disabled relief						

The level of council tax is calculated at the beginning of the year and is calculated so as to ensure that the council has sufficient funds to pay for the services that it provides. The amount of tax paid by local residents is based on the value of their property in 1991 assessed by the Valuation Office.

The total required by the Collection Fund is divided by the council tax base. This represents the number of properties in the borough, expressed as equivalent Band D properties.

A provision for bad debts has been established for council tax. The council's share of this provision was £363,000 at 31st March 2023 (£347,000 at 31st March 2022). The movement on this provision is shown in Note 17 page 78.

NOTES TO THE COLLECTION FUND

2. Council Tax and Non Domestic Rates Precepts

The following table shows the councils and other bodies that have made a demand or precept on the Collection Fund:

2021/22	2022/23	2022/23	2022/23
Total £'000	Non Domestic Rates £'000	Council Tax £'000	Total £'000
12,212 Central Government	10,746	-	10,746
16,397 Erewash Borough Council	8,597	6,819	15,416
414 Parish Councils	-	463	463
48,824 Derbyshire County Council	1,934	48,188	50,122
8,145 Police and Crime Commissioner for Derbyshire	-	8,511	8,511
2,916 Derbyshire Fire Authority	215	2,734	2,949
88,908	21,492	66,715	88,207

3. National Non Domestic Rates

Under the arrangements for uniform business rates, the Council collects National Non Domestic Rates for its area which are based on local rateable values. In 2022/23 Central Government set two rates in the pound: a standard Non-Domestic Rate Multiplier of 51.2p (2021/22 51.2p) and a Small Business Rate Multiplier of 49.9 (2021/22 49.9p).

The total Non Domestic rateable value for Erewash Borough at 31st March 2023 was £62.4m (31st March 2022 £66.7m). Mandatory relief for empty, charitable and void properties and small business rate relief was £7.5m (2021/22 £6.7m). In addition there has been discretionary relief for the Retail, Hospitality and Leisure Relief scheme of £2.0m and COVID-19 Additional Relief Fund reliefs of £1.9m. This resulted in a net yield of £20.9m (2021/22 £20.4m).

A provision for bad debts has been established for Non-Domestic rates. The council's share of this provision was £260,000 at 31st March 2023 (£276,000 at 31st March 2022). The movement on this provision is shown in Note 17 page 78.

INDEX OF ACCOUNTING POLICIES

	Accounting Policy	Page
1	General Principles	16
2	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors	16
3	Revenue & Expenditure Recognition	17
4	Fair Value Measurement	18
5	Property, Plant and Equipment	18
6	Heritage Assets	22
7	Investment Property	22
8	Intangible Assets	23
9	Revenue Expenditure Funded from Capital under Statute	23
10	Charges to Revenue for Non Current Assets	24
11	Inventories	24
12	Debtors	24
13	Assets Held For Sale	24
14	Cash and Cash Equivalents	25
15	Creditors	25
16	Provisions, Contingent Liabilities and Contingent Assets	25
17	Reserves	26
18	Financial Instruments	26
19	Government Grants and Contributions	28
20	Leases	28
21	Overheads and Support Services	29
22	Joint Operations	29
23	VAT	30
24	Employee Benefits	30
25	Exceptional Items	32
26	Events after the Balance Sheet Date	32

INDEX OF NOTES TO THE ACCOUNTS

Note	Page
1 Events after the Balance Sheet Date	47
2 Segmental Income and Expenditure	47
3 Income and Expenditure Analysed by Nature	48
4 Adjustments between Accounting Basis and Funding Basis Under Regulations	49
5 Movement in Reserves	52
6 Transfers to/from Earmarked Reserves	54
7 Movement in Reserves Statement – Movement on Unusable Reserves	55
• Revaluation Reserve	55
• Capital Adjustment Account	55
• Pensions Reserve	57
• Collection Fund Adjustment Account	58
• Short Term Compensated Absences Adjustment Account	59
8 Capital Expenditure	59
9 Capital Commitments	60
10 Valuation of Non Current Assets and Long Term Assets	60
11 Movement on Property, Plant and Equipment	61
12 Movement on Investment Properties, Assets Held for Sale, Intangible Assets and Heritage Assets	65
13 Heritage Assets: Reconciliation of the Carrying Value	68
14 Leasing	69
15 Financial Instruments	70
16 Inventories	77
17 Debtors and Long Term Receivables	78
18 Cash and Cash Equivalents	80
19 Creditors	80
20 Provisions	81
21 Cash Flow Statement	82
22 Agency Income and Expenditure	83
23 Members' Allowances	83
24 Officers' Remuneration	84
25 External Audit Costs	85
26 Grant Income	86
27 Related Party Transactions	88
28 Employment Benefits – Short Term Accumulating Compensated Absences	90
29 Employee Benefits – Post Employment Benefits	90
30 Contingent Liabilities and Contingent Assets	99
31 Joint Venture – Bramcote Bereavement Services Joint Committee	101
32 Charitable Stewardship	102

GLOSSARY OF TERMS

Accounting period

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1st April. The end of the accounting period is in the balance Sheet.

Accruals

Income or expenditure relating to goods or services received/provided during the accounting period where payment has not been made or received at the end of the accounting period.

Amortisation

This is charge made to the service revenue accounts each accounting period to reflect the reduction in the value of the intangible assets used in the delivery of services.

Asset

An item having value measured in monetary terms. Assets can be defined as non current or current. A non current asset has a value for more than one year (for example a building or long term investment). A current asset can be readily converted into cash (for example stocks or short term debtors).

Audit of Accounts

An independent examination of the council's financial statements.

Balances

The total level of funds a council has accumulated over the years which are available to support revenue expenditure within the year.

Billing Authority

A council that has the power to set and collect council tax.

Budget

The spending plans of a council over a specific period of time.

Capital Adjustment Account

An unusable reserve which is charged with the historic cost of creating or enhancing non current assets over the life of those assets. This account also contains the appropriations needed to ensure that any depreciation or impairment losses debited to the Comprehensive Income and Expenditure Statement do not impact on the level of local taxation.

Capital Charge

A charge to service revenue accounts to reflect the cost of non current assets used in the provision of services.

Capital Expenditure

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

Capital Financing Requirement

GLOSSARY OF TERMS

An amount calculated as long term assets less the balances on the capital adjustment account, revaluation reserve, and grants received in advance account. The council is required to make a provision from revenue resources to meet its debt repayment obligations. This is known as the minimum revenue provision (MRP).

Capital Programme

The capital schemes the council intends to carry out over a specified time period.

Capital Receipt

Money received from the disposal of land and other assets, and from the repayment of grants and loans made by the council.

CIPFA

The Chartered Institute of Public Finance Accountancy helps local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of public business.

Collection Fund

A fund administered by the council recording receipts from council tax and NNDR and payments to the General Fund and other public authorities.

Consistency

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

Creditors

An amount owed by the council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset.

Debtors

Sums of money owed to the council but not received at the end of the year.

Defined Benefit Pension Scheme

A retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Earmarked Reserve

A sum set aside for a specific purpose.

GLOSSARY OF TERMS

Emoluments

Payments received in cash and benefits for employment.

Existing Use Value

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Fair Value

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

Fees and Charges

Income arising from the provision of services.

Financial Instruments Adjustment Account

This account holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the financing costs required to be charged to the General Fund Balance.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

General Fund

This is the main revenue account from which payments are made to meet the cost of providing services.

Government Grants

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

Heritage Assets

Assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by local councils and subsidised by central government.

GLOSSARY OF TERMS

Impairment

The fall in value upon revaluation of an asset due to a significant decline in the market value, obsolescence, physical damage or a significant change in the statutory or regulatory environment in which the asset operates.

Income

Amounts which the council receives, or expects to receive from any source, including rents, fees, charges, sales and grants.

Infrastructure Assets

These are non-current assets belonging to the council that cannot be readily sold, do not necessarily have a resale value, and for which a useful life span cannot be readily assessed.

International Accounting Standards

International Accounting Standards are older accounting standards issued by the International Accounting Standards Committee, which were replaced in 2001 by International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

International Accounting Standards Board

The Board is an independent group of experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education.

International Financial Reporting Interpretations Committee (IFRIC)

This committee reviews on a timely basis, widespread accounting issues that have arisen within the context of current International Financial Reporting Standards (IFRSs). The work of the Interpretations Committee is aimed at reaching consensus on the appropriate accounting treatment and providing authoritative guidance on those issues.

International Financial Reporting Standards (IFRS)

These cover all aspect of accounting practice and set out the correct accounting treatment. They are issued by the International Accounting Standards Board and their application to public sector accounts within the UK is now mandatory.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis. 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.

Investment Properties

Interest in land and/or buildings in respect of which construction work and development have been completed, or which is held for its investment potential, with rental income being negotiated at arms length.

GLOSSARY OF TERMS

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Long Term Debtor

Amounts due to the council more than one year after the Balance Sheet date.

Market Value

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

National Non-Domestic Rates (NDR)

Rates which are levied on business properties.

Net Book Value

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

Non Operational Assets

Non current assets held by the council but not directly occupied, used or consumed in the delivery of services.

Operational Assets

Non current assets held, occupied, used or consumed in the direct delivery of services for which the council has a statutory duty or discretionary power to provide.

Operating Leases

A type of lease where the ownership of the asset remains with the lessor.

Post Balance Sheet Events

Material events which can be either favourable or unfavourable which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

Amounts levied on the council by other councils or public bodies (police commissioner, fire and rescue authorities and parish councils), that cannot directly raise council tax themselves.

GLOSSARY OF TERMS

Prior Year Adjustments

Those 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 previous years.

Property, Plant and Equipment

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost can be made.

Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Rateable Value

The annual assumed rental value of a property, which is used to assess the amount of business rate payable.

Related Party

There is a detailed definition of related parties in FRS8. For the council's purposes, related parties are deemed to include the elected members of the council and their partners, the chief officers of the council and companies in which the council has an interest.

Reserves

Surpluses and deficits that have been accumulated over past years. Revenue reserves are available to be spent or earmarked at the discretion of the council. Some capital reserves, such as the revaluation reserve, cannot be used to meet current expenditure.

Revaluation Reserve

A reserve created as a result of the current capital accounting regulations that enables assets to be shown in the accounts at current values.

Revenue Expenditure

Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure which may properly be incurred, but does not result in an asset owned by the council. Examples of these are expenditure on items such as improvement grants.

Revenue Support Grant (RSG)

A grant from central government towards the cost of providing services.