



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee 29 May 2024

Wards affected: all wards

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### Statement of Accounts 2023/24 Significant Judgments and Uncertainties

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Report of Director (Community & Development Services)

#### **1. Purpose of report**

- 1.1 The Council is required to produce a Statement of Accounts on an annual basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').
- 1.2 This report summaries significant areas of accounting judgement and sources of estimation uncertainty which are likely to arise in relation to the 2023-24 Statement of Accounts.

#### **2. Recommendation**

- 2.1 The proposed critical judgments and major sources of estimation are noted.

#### **3. Background to the report**

- 3.1 The Cipfa Code is updated annually to reflects changes in Accounting Standards and Practices. The Council Accounting Policies are derived from these standards. Accounting. For 2023/24 there are expected to be no material changes in the Council Accounting Policies.
- 3.2 The Council has decided to adopt the new leasing standard IFRS 16 from the 1 April 2024. The Council could have voluntarily adopted the standard early, but since no material benefits have been identified it is proposed that the standard is implemented in 2024/25. Primarily the standard looks at bringing contracts over a year that have an underlying asset into the balance sheet as a long-term asset.

3.2 When applying Accounting Policies judgements are made about complex transactions. These are known as Critical Judgments. Where materially impact the statement, these have to be disclosed in the statement of Accounts. Critical Judgments proposed in the 2023/24 statement are summarised in the table below: -

| Judgement                       | Assumptions   |
|---------------------------------|---|
| <b>Funding</b>                  | There is a high degree of uncertainty about future levels of funding for local government. Primarily arising from the delayed business rates reset. The Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision. |
| <b>Partnership Arrangements</b> | The Council has reviewed the arrangements in place for operation of the Leicestershire Partnership – Revenues and Benefits. The Joint Committee has been classified as a ‘Jointly Controlled Operation’ on the basis that it is not a separate legal entity and has been accounted for in line with the Council’s Accounting Policies for these arrangements.                     |

3.3 The table below sets out the material uncertainties that are within the statement of Accounts

| Item                          | Uncertainty   | Effect  |
|-------------------------------|---|---|
| Property, Plant and Equipment | <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Property Plant and Equipment are reviewed for both economic and price impairment on an annual basis. Any movement in market value of property will have any impact on the Council’s valuation.</p> | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>If an asset is impaired the carrying amount of the asset is reduced.</p> |

|                    |   |  |
|--------------------|---|--|
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are made by actuaries appointed by Leicestershire County Council who administer the pension fund</p> | <p>The effect on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <p>A decrease in the discount rate assumption would result in an increase in pension liability.</p> <p>A one-year increase in member life expectancy would result in an increase in pension liability.</p> <p>An increase in the pension rate would result in an increase in pension liability.</p> |
| Provisions         | <p>The council has made provision in relation to National Non-Domestic Rate Appeals. This provision is based on an estimation of any future liability and the likelihood that these costs will be incurred.</p>   | <p>If the estimates used in the calculation of the provision prove to be inaccurate then there will be further income or expenditure incurred by the General Fund via the Collection Fund.</p>   |
| <b>Total</b>       |   |  |

**4. Exemptions in accordance with the Access to Information procedure rules**

4.1 This report is to be taken in open session.

**5. Financial implications [IB]**

5.1 None.

**6. Legal implications [MR]**

6.1 None

## **7. Corporate Plan implications**

7.1 This report contributes to the following priorities of the Council;

- Prosperity- Encouraging growth, attracting businesses, improving skills and supporting regeneration.

## **8. Consultation**

8.1 None

## **9. Risk implications**

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

| Management of significant (Net Red) risks |                    |       |
|---|--------------------|-------|
| Risk description                          | Mitigating actions | Owner |
| None                                      |                    |       |

## **10. Knowing your community – equality and rural implications**

10.1 The financial statement and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

## **11. Climate implications**

11.1 The financial statements can be used as a mechanism for the reporting of the Council's impact on Climate Change.

## **12. Corporate implications**

12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications- yes, improving lighting and the environment will contribute reducing the fear of crime and disorder
- Environmental implications- yes, protecting and enhancing the Borough's Heritage
- ICT implications- none directly arising from this report

- Asset management implications- none directly arising from this report
  - Procurement implications- none directly arising from this report
  - Human resources implications- none directly arising from this report
  - Planning implications- permissions sought where required
  - Data protection implications- none directly arising from this report
  - Voluntary sector- conservation volunteers used where appropriate on schemes.
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Background papers: None

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