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Bill Cullen MBA (ISM), BA(Hons) MRTPI
Chief Executive



**Hinckley & Bosworth
Borough Council**

Date: 05 June 2019

To: Members of the Audit Committee

Mr DS Cope (Chairman)	Mr RB Roberts
Ms A Pendlebury (Vice-Chairman)	Mrs H Smith
Mrs MA Cook	Mr BR Walker
Mr REH Flemming	Mr HG Williams
Mr E Hollick	Mr P Williams
Mr MR Lay	

Copy to all other Members of the Council

(other recipients for information)

Dear member,

There will be a meeting of the **AUDIT COMMITTEE** in the De Montfort Suite, Hinckley Hub on **THURSDAY, 13 JUNE 2019 at 7.00 pm** and your attendance is required.

There will be an Audit Briefing for members of the committee at 6.30pm in the De Montfort Suite

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Manager

AUDIT COMMITTEE - 13 JUNE 2019

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 4)
To confirm the minutes of the previous meeting.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting (to be taken at the end of the agenda)
4. DECLARATIONS OF INTEREST
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**
5. QUESTIONS
To hear any questions received in accordance with Council Procedure Rule 12.
6. FINANCIAL STATEMENTS 2018/19 (Pages 5 - 140)
To present to the Audit Committee the draft Annual Governance Statement and Financial Statements for 2018/19 that will be subject to external audit.
7. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY
As announced under item 3 above.

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

11 APRIL 2019 AT 6.30 PM

PRESENT: Mrs R Camamile (Vice-Chair, in the Chair), Mrs L Hodgkins, Mr KWP Lynch and Mr BE Sutton

Officers in attendance: Ilyas Bham and Rebecca Owen. Gary Morris of Ernst & Young and Zoe Thomas of Grant Thornton were also in attendance.

441 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Cope, MacDonald, Roberts and Williams.

442 MINUTES OF PREVIOUS MEETING

It was moved by Councillor Sutton, seconded by Councillor Hodgkins and

RESOLVED – the minutes of the meeting held on 10 January be confirmed and signed by the chairman.

443 DECLARATIONS OF INTEREST

No interests were declared at this stage.

444 2018-19 EXTERNAL AUDIT PLAN

The external auditor presented the 2018/19 audit planning report. It was noted that there were only two risks highlighted – these were the same as the previous year and were common amongst local authorities. The auditor had recommended no change to the materiality limits and it was moved by Councillor Camamile, seconded by Councillor Lynch and

RESOLVED –

- (i) The materiality limits be set at:
 - a. Planning materiality: £1,047k
 - b. Performance materiality: £785k
 - c. Audit differences: £52k
- (ii) The report be approved.

445 HOUSING RENT DEBT RECOVERY INTERNAL AUDIT REPORT

The internal auditor presented the housing rent debt recovery internal audit report, highlighting that significant assurance had been given with one medium and one low risk recommendation. It was noted that sundry debt in relation to housing rents had been increasing and when benchmarked against other authorities was quite high. Whilst this was a national trend, the auditor had recommended reviewing the performance targets and frequency of reporting. Officers reported that monitoring reports would go to SLT and Finance & Performance Scrutiny on a quarterly basis.

Whilst it was noted that the rental debt had increased since the introduction of universal credit, it was moved by Councillor Camamile and seconded by Councillor Lynch that consideration be given to increasing member participation in reducing rental debt and improving reporting.

RESOLVED –

- (i) the report be noted;
- (ii) consideration be given to increasing member participation in reducing rental debt.

446 HOUSING REPAIRS INTERNAL AUDIT

Members received the housing repairs internal audit report. Significant assurance was provided, with three low recommendations detailed. There was satisfaction that testing met industry standards and checks were often more frequent than required by the standards. It was, however, recommended that an overarching policy in relation to testing be adopted. Whilst there were central records that showed all tests had been carried out, there was inconsistency across sites in terms of application of stickers when checked and the process of doing this and of updating centre managers should be formalised.

RESOLVED – the report be noted.

447 LEICS R&B PARTNERSHIP IA REPORT

Consideration was given to the revenues & benefits partnership internal audit report. It was noted that the partnership board had already considered the report and were comfortable with the five low risk recommendations and three improvement points that had been included.

RESOLVED – the report be noted.

448 INTERNAL AUDIT PROGRESS REPORT

In presenting the internal audit progress report the progress of recommendation tracking was noted and it was highlighted that a lot of follow up would be required during the following quarter due to the number of recommendations that were due for implementation by 31 March 2019. In terms of the audit plan, this was on track for completion as originally agreed.

RESOLVED – the report be noted.

449 NON-PO EXPENDITURE UPDATE APRIL 19

Following the request at a previous meeting, a report was presented which showed the breakdown of payments where no purchase order had been raised. It was noted that the majority were payments where it would not be practical or possible to raise a purchase order, for example treasury management activity, payment of precepts, business rates, salaries and benefits. There were a small number of 'other' payments such as HMRC, housing repairs and S106 monies which were being looked at to see whether it would be necessary or possible to raise purchase orders. It was, however, noted that each of these payments went through the finance team so there was a control mechanism and that the auditors would pick up discrepancies during the audit process.

It was moved by Councillor Camamile, seconded by Councillor Lynch and

RESOLVED –

- (i) the report be noted;
- (ii) a six monthly report be brought to the Audit Committee.

450 THANKS FROM THE CHAIRMAN

Councillor Camamile, in the chair for this meeting, thanked members of the committee for their input and officers and auditors for their attendance and support since the committee had been set up.

(The Meeting closed at 7.00 pm)

CHAIRMAN

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Hincley & Bosworth
Borough Council

A Borough to be proud of

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

Audit Committee 13th June 2018

WARDS AFFECTED: ALL WARDS

FINANCIAL STATEMENTS 2018/19

Report of Head of Finance (Section 151 Officer)

1. PURPOSE OF REPORT

- 1.1.1 To present to the Audit Committee the draft Annual Governance Statement and Financial Statements for 2018/19 that will be subject to external audit.

RECOMMENDATION

- 2.1 To review the 2018/19 unaudited Financial Statements and consider whether the accounts reflect their understanding of the position of the council has reported during the year.
- 2.2 To review the draft Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

3. BACKGROUND TO THE REPORT

- 3.1 In accordance with Accounts and Audit regulations, draft Financial Statements have to be signed off by the 29th May 2018 and ready for public inspection on the 3rdst June 2018 to the 15 July. The attached unaudited statements were completed on 29th May 2018 and signed off by the Head of Finance (s151 Officer) on that day for publication. The accounts become available for public inspection from that date for a period of 30 days in which they can inspect or raise objections to items in the accounts. The statements have also been supplied to our External Auditor (Ernst & Young) for them to complete their audit and report back to the Audit Committee.
- 3.2 Following the conclusion of the period for the exercise of public rights the Head of Finance as the responsible finance officer (RFO) is required, on behalf of the authority, to re-confirm that they are satisfied that the Statement of Accounts presents a 'true and fair' view. The authority must then consider the Statement of Accounts, which at HBBC is the responsibility of the Audit Committee on behalf of the Council. At that meeting the Audit Committee will need approve the accounts by a resolution of that committee and ensure that they are signed and dated by the person

presiding at the committee as chair at which that approval is given. The Unaudited accounts are presented to help in the process with the final audited accounts being approved by the Audit Committee in August.

- 3.3 The main elements of the Financial Statements are noted below with a brief narrative explanation of their purpose.

Section of Accounts	What it covers
Comprehensive Income and Expenditure Statement (CIES)	The CIES covers the sources of all income received and the cost of providing services in the year based on applicable accounting standards and CIPFA requirements.
Movement in Reserves Statement (MiRS)	The MiRS shows the movement in the year on the various reserves held by the Council.
Expenditure & Funding Analysis	This is a reconciliation between management's internal reporting and the CIES, which is based on the requirements of accounting standards as interpreted for the public sector.
Balance Sheet	The Balance sheet gives the value of the Council's assets and liabilities at the financial year-end.
Cash Flow Statement	The cash flow statement discloses movements in cash flows of the authority during the financial year.
Notes to the financial statements	These include a summary of significant accounting policies that guide our basis for the way items are accounted for in the financial statements.
Supplementary Statements: Housing Revenue Accounts, and Collection Fund	These are the Housing Revenue Account (HRA) and Collection Fund. The HRA covers the income from housing activities and Council's expenditure on Council housing. The Collection Fund gives level of business rates and council tax that the Council has to collect, not only for itself, but also for precepting authorities in Leicestershire.
Annual Governance Statement	The Council has approved and adopted a code of corporate governance. The Annual Governance Statement provides a summary of how the Council has reviewed compliance with this code.

- 3.4 There are a few presentational changes to make to the accounts and do not impact on General Fund and HRA balances.

- 3.5 There have been no changes to our accounting policies this year.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report taken in open session.

5. FINANCIAL IMPLICATIONS [AW]

- 5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS

6.1 None.

7. CORPORATE PLAN IMPLICATIONS

7.1 None.

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	N/A	Ashley Wilson

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 There are no direct implications arising from this report

11. CORPORATE IMPLICATIONS

11.1 By submitting this report, the report author has considered the following:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers: Civica Reports

Contact Officer: Ashley Wilson: Head of Finance

Executive Member: Cllr K Lynch

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Hinckley & Bosworth
Borough Council

Unaudited Statement of Accounts & Annual Governance Statement



2018/2019

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Chief Executive's Message

Message from the Chief Executive as Head of Paid Services

This Council remains ambitious in its plans and is working hard to deliver its Corporate Plan to ensure achievement of our key priorities for the next five years around the themes of People, Places and Prosperity.

As the 2018/19 financial statements demonstrate, the financial standing of the Council continues to be robust. We have established good and effective financial governance, processes and procedures and are ready to move forward in a period of continuous change. As always, we will continue to pursue on-going improvement and excellence

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The purpose of this Statement is to provide information to the electors and residents of Hinckley and Bosworth, Council Members, partners, stakeholders and other interested parties to enable them to:

- Be assured that the Council is managed in a way that has secured its ongoing future and its ability to deliver services to the people that rely on them in this area.
- Review the financial performance during 2018/19 and understand the financial position in terms of the assets, liabilities and reserves of the Council;
- See that our accounts were prepared as a true and fair record of our financial performance and have been audited and certified as such, to ensure confidence that the public money, with which the Council has been entrusted, has been used and accounted for in an appropriate manner; and

We ended a good year for Hinckley & Bosworth Borough Council. We have achieved our savings and growth targets and delivered on our key redevelopment objectives.

As we look forward into 2019/20, the economic outlook is showing some improvement, and this is reflected locally with significant inward business investment taking place. This is illustrated by the continuing growth and success of MIRA Enterprise Zone and investment plans of key local companies such as Triumph, Neovia Logistics and DPD. However, Central Government still spends more than it collects and so significant pressure remains to bring the country out of its budget deficit. There are also the uncertainties of Brexit. Central Government is tackling this through a programme of sustainable economic growth, its launch of its Industrial Strategy and a drive for efficiency savings/cost reductions across public services.

However, there remains uncertainty around the future funding for the Local Government sector, coupled with Brexit, which means the pressures on finances will continue. Central Government funding continues to add pressures to the Council's budgets. Future changes relating to 75% retained Business Rates is now planned by Government to be implemented for 2020-21 alongside the Fair Funding review. This is a fundamental review by Government on how to calculate the 'needs' of each authority in order to determine the amount of funding each local authority requires through grant funding. This continues to add further uncertainty for our budget setting in the medium term as funding levels past 2019-20 are still not known.

This means the landscape of Local Government is changing dramatically. Government has set in motion the creation of Combined Authorities, with elected Mayors now in place for seven key city regions, which have secured devolved powers to their local areas. All Councils in Leicester and Leicestershire have bid to become a combined authority. This devolution agenda, along with a raft of new locally announced economic programmes, means councils have to be adaptable and have the ability to embrace change, whilst ensuring financial stability.

Chief Executive's Message

Hinckley & Bosworth Borough Council historically has resisted increases in council tax. This has led to the Council for 2018/19 having the twelfth lowest Council Tax charge out of 201 District councils in the Country at £127 per year. Government is expecting that Councils will need to raise Council Tax as part of their future funding regime, although currently there is a 2% limit on any such increase, without a public referendum (although district councils and shire counties which are in the lowest quartile can increase Council Tax by £5 a year.) To help secure the finances of the Council we have continued with the £5 for 2019/20.

There will also be a dramatic change in the way business rates are managed, with the stated intention of Government that Local Authorities will retain 75% of the growth of business rates from 2020/21, subject to some redistributive safeguards. We had a contribution to our income of £2.5m in 2018/19 for baseline funding and an additional £1.12m for new growth and this level is likely to continue in 2019/20, but the longer term future is still uncertain. Nevertheless, the reforms can be seen as a key opportunity for the Council to encourage economic growth, as a means of creating additional income.

New Homes Bonus is very likely to be reformed and, although for 2018/19 we received £2.571m, this as an overall element of Central Government funding is reducing as increases in this funding are being off set by the removal of other grants. However, successive governments over the past decade and more have put in place an incentivised funding regime for housing growth and we await any future announcements on this.

Local Government is expected also to continue to implement efficiency savings and reduce costs, through more coordinated activity, partnership working and making growth a priority at the local level. These are all factors that HBBC is committed to.

Our ability to fund capital projects will remain constrained through HRA borrowing affordability and the (lack of) availability of land. Many capital projects will rely on making successful capital bids to the Leicester and Leicestershire Local Enterprise Partnership (LLEP) and the Coventry and Warwickshire Local Enterprise Partnership (C&WLEP), as the Council is a member of both bodies. The Council is working to secure a fair share of the retention of business rate growth arising from MIRA Enterprise Zone to provide an opportunity for the Council to continue to invest in local economic growth.

The Council continues to adapt to customer demands and the changing national context and highlights the priorities that form the basis for continued delivery and improvement of services within its new Corporate Plan under three clear headings:

People - Helping people to stay healthy, active and protected from harm

Places - Creating clean and attractive places to live and work

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

District Councils everywhere are having to adapt and transform by becoming more pro-active in prevention linked to reducing demand on ours and other agencies' services: such as the police, the NHS and social care. The Council will continue to develop its innovative approaches to dealing with demand, guided by its Prevention Strategy and complementary strategies such as its Digital Strategy, Rural Strategy and Health and Wellbeing Strategy. The continued development and delivery of integrated approaches to addressing increasingly complex customer and community demands via ground-breaking initiatives, such as the Endeavour (Community Safety Partnership programme), the Lightbulb project (housing contribution to

Chief Executive's Message

health offer) and VCS programme (Volunteer and Community Services infrastructure), will also play their part. It will also be achieved by using money where it is needed to invest in all of our communities; by generating new ways of self-financing; by having a greater say in Government and sub-regional partnerships, and all this whilst improving the efficiency of our services so valued by our local communities. Our new Corporate Plan will be central to how Hinckley and Bosworth Borough Council moves forward in all of these areas.

Narrative Report

Narrative report

Welcome to Hinckley & Bosworth Borough Council's Statement of Accounts for the year ended 31st March 2019 that details the financial position of the Council for the financial year 2018/19. This Narrative Report outlines the main issues affecting the Council and gives context in relation to the accompanying Financial Statements.

The Narrative Report also provides a fuller understanding of the performance of the council in relation to both financial and non-financial information and is structured into the following sections:

- An Introduction to Hinckley & Bosworth Borough Council
- The 2018/19 Revenue Budget Process.
- Financial Performance of the Council 2018/19
- Capital Strategy and Capital Programme
- Non-Financial Performance of the Council
- Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2018/19.

An Introduction to Hinckley & Bosworth Borough Council

The Borough of Hinckley and Bosworth has a population of approximately 109,000 and extends over a largely rural area of some 297 square kilometres in the south west of Leicestershire, from west of the city of Leicester in the east to the boundary with Warwickshire in the west. The main urban area of the borough focuses on the town of Hinckley and spreads to the adjoining parishes of Barwell, Earl Shilton and Burbage. The urban area is located at the south western tip of the borough and is home to around 60% of its residents. Public Health England notes that the health of people in Hinckley and Bosworth is generally better than the England average. About 12% (2,200) of children live in low income families. Life expectancy for both men and women is higher than the England average, although life expectancy is 5.4 years lower for men and 4.1 years lower for women in the most deprived areas of Hinckley and Bosworth than in the least deprived areas. The population of the area is expected to grow by 2020.

	Males	Females	Persons
Hinckley and Bosworth (population in thousands)			
Population (2015):	54	55	109
Projected population (2020):	55	57	112
% people from an ethnic minority group:	6.1%	4.5%	5.3%
Dependency ratio (dependants / working population) x 100			66.4%
England (population in thousands)			
Population (2015):	27,029	27,757	54,786
Projected population (2020):	28,157	28,706	56,862
% people from an ethnic minority group:	13.1%	13.4%	13.2%
Dependency ratio (dependants / working population) x 100			60.7%

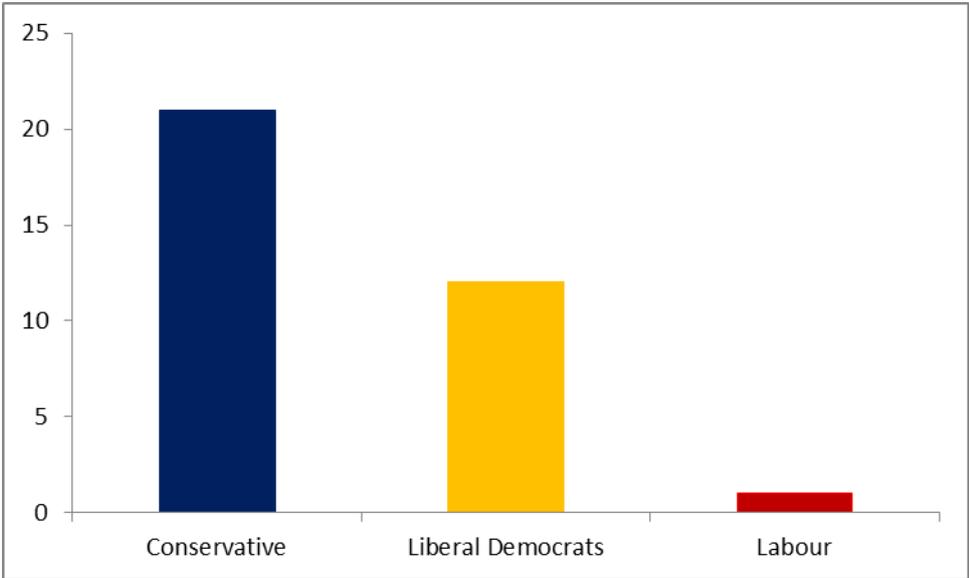
Narrative Report

The borough's traditional industries include hosiery, textiles, boot and shoe manufacturing. Today the manufacturing base has moved towards the automotive industries with key employers: HORIBA MIRA, which is a vehicle engineering hub with Enterprise Zone status; Triumph Motorcycles; and, Caterpillar. In addition, Cadent (formerly known as National Grid) has a base in Hinckley and the borough is also home to a growing logistics and distribution cluster with the presence of major companies such as Neovia, Syncreon and DPD.

The Council is composed of 34 Councillors elected every four years. Councillors are democratically accountable to residents of their ward.

All Councillors meet together as the Council. Councillors decide the Council's overall policies and set the budget each year. Decisions which are outside of the budget or policy framework have to be referred to Council. Other items reserved for Council include adopting and amending the Constitution, approving or adopting the policy framework, setting the budget, appointing the Leader of Council, electing the Mayor and appointing the Deputy Mayor and retaining overall responsibility for regulatory functions.

At the election in May 2015 Conservatives gained political control in this borough. Councillor Mike Hall is Leader of the council. The composition of this council as at the 31st March 2019 is:



CONSERVATIVE 21 LIBERAL DEMOCRATS 12 LABOUR 1

As a result of the Local Government elections in May 2019 the composition of the Council changed. New members took office from the 7 May 2019. The composition is now 21 Liberal Democrats, 11 Conservative and 2 Labour.

The Executive carries out all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under the constitution, acting as the council's Executive. The Executive consists of the Leader of Council together with seven other councillors appointed by the Leader.

Narrative Report

Many of the functions which are the direct responsibility of Council rather than the Executive are administered by committees or panels made up from a subset of members. The committees and panels are:

- Audit Committee
- Ethical Governance and Personnel Committee
- Hinckley Area Committee
- Licensing (Regulatory) Committee
- Licensing Committee
- Planning Committee
- Statutory Officer Employment Panel

The Council also appoints the Scrutiny Commission and the Finance & Performance Committee to discharge functions conferred by the Local Government Act 2000. Committees of the overview & scrutiny function have the aim of improving services to the public and on their behalf by looking at internal and external issues and organisations and providing a 'critical friend' role to the Executive.

Hinckley & Bosworth Borough Council's vision is to be a place of Opportunity. Our corporate plan for 2017 to 2021 seeks to deliver our vision in creating great places to live, work and relax in, to have great places to go and shop, visit and be entertained and to provide opportunities to help our communities stay safe, healthy and active. It also seeks to promote places to invest in to improve the range and quality of local job opportunities.

Our plan will tell you how we intend to provide the right opportunities and services and provide them in the best way to improve the quality of life for everyone who lives and works in the borough of Hinckley and Bosworth. The plan does not include everything the council does, but it does set out our priorities, goals and ambitions for the next four years based on what our residents tell us are the most important matters to them. The council's Service Improvement Plans will be the mechanism that will deliver these ambitions.

We have brought those priorities together under three clear headings:

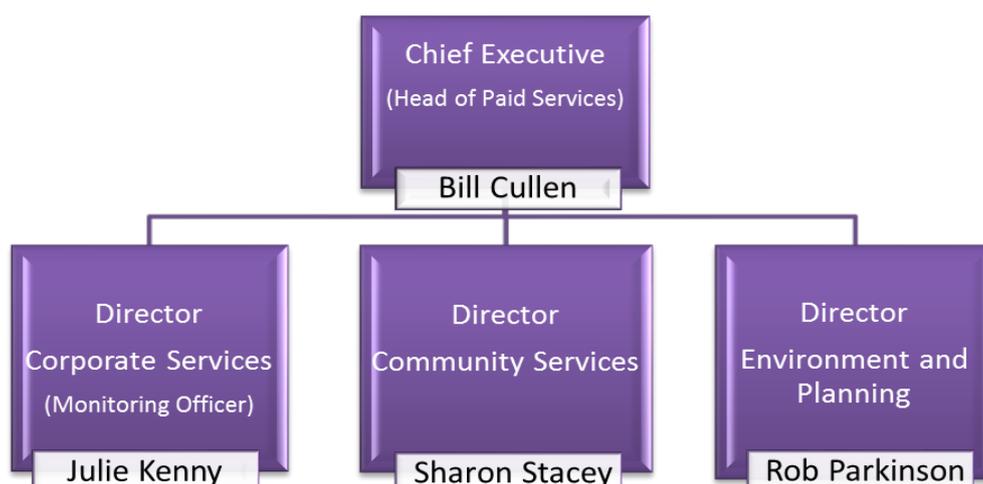
- People- Helping people to stay healthy, active and protected from harm
- Places - Creating clean and attractive places to live and work
- Prosperity - Encouraging growth, attracting businesses, improving skills and supporting regeneration

Further details of a corporate plan can be found on our website.

Corporate Operations

The Council's senior management structure is given below and is based on Directorate basis, and is documented in the management structure chart below.

Narrative Report



The Strategic Leadership Team (SLT) noted above replaced the previous structure and as well as being flatter and hence more dynamic in the decision making has delivered £290,000 worth of savings each year from now on. The SLT are responsible for implementation of the strategic goals of the Council as decided by members.

The number of Council employees and elected members for 2018/19 and prior year are as follows:

	31st March 2019	31st March 2018
Council Employees	425	415
Elected Members	34	34
Total Staff	459	449

The democratic governance structure of the Council is set out in the Constitution and summarised within the Council's Annual Governance Statement. The Constitution sets out the essential elements of the democratic process including the role of Council, Executive and the Scrutiny function. The Constitution describes the functions and membership of each member group and the scope of structure of their operations. The full Constitution can be viewed on the Council's website.

The Council sets a target for sickness absence on an annual basis for all staff. Outturn against this target for 2018/19 and the previous year was as follows:

Target	Target	Outturn 2018/19	Outturn 2017/18
Working Days Lost due to Sickness Absence	8 days	9.28	10.42 days

High sickness absence levels can have a detrimental effect on the delivery of council services. Effective sickness absence management ensures that the cost of sickness absence is kept at a minimum whilst improving capacity, service improvement and workforce morale. Sickness performance for 2018/19 was above target and the final outturn was 9.28 days. This was lower than the previous year 2017/18 which was 10.42 days. Regular attendance management

Narrative Report

meetings are held by the Chief Executive with Chief Officers to understand the reasons for any instances that lead to high levels of sickness.

The 2018/19 Revenue Budget Process

Every year the Council reviews its overall expenditure to identify efficiencies and ensure it can deliver services to local residents. The 2018/19 revenue budget process was prepared in light of the continued need to make reductions in expenditure, but ensuring the Council priorities are progressed. The 2018/19 General Fund revenue budget has been prepared with clear links to the Council's strategic and service objectives. As well as reviewing revenue the Council also ensures capital development priorities are included in the Capital Programme which is approved at the same time as the revenue budget.

Part of our ongoing commitment to efficiency savings in relation to the cost of supplies and services, is to apply a rate of 0% to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-4% in year, the application of 0% represents an effective saving on running costs.

The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2018/19 estimates include an updated pension cost figure of 23.1% based on the latest pension valuation and an agreed 2% pay award. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2017/18.

Pressures totalling of £2.921m and savings of £2.388m were included in the budget. These are summarised below:-

	Pressures	Income/ Savings	Net
Forecast	£	£	£
Dry Recycling contract council	488,000	(560,000)	(72,000)
Dry Recycling – move in house (Payroll pressure)	350,385	0	350,385
Pay cost increases (all elements, NI, Pensions and increments)	320,269	0	320,269
Inflationary increases contracts /Fees	134,304	(76,753)	57,551
Waste Fleet and wider Fleet replacement	315,123	0	315,123
Extra Waste Round	171,900	0	171,900
Dry Recycling – move in house (Vehicle pressure insurance, repair and fuel)	112,985	0	112,985
Trade waste, Kerbside recycling and bulky items	98,300	0	98,300
Microsoft licences	84,000	0	84,000
Pensions IAS 19 accounting adjustments	64,810	0	64,810
LCC Pension Lump Sum	64,070	0	64,070
Increase in legal fees/Infrastructure Cap and Housing needs	50,000	0	50,000
Expected additional Business Rate growth/reliefs (section 31)	0	(650,898)	(650,898)
Leisure Centre income	0	(108,200)	(108,200)
Capital Financing	0	(93,670)	(93,670)

Narrative Report

ICT contract	0	(51,320)	(51,320)
Local Plan savings	23,500	(78,000)	(54,500)
Rev and Bens Partnership contributions	59,610	0	59,610
Efficiency savings from refuse collection and street cleansing	0	(201,820)	(201,820)
Development control income	0	(173,000)	(173,000)
Planning & Development regeneration investment	60,000	0	60,000
Car parks	0	(89,000)	(89,000)
Items less than £50k individually *	415,830	(197,293)	218,537
Flexible Homelessness Grant	108,060	(108,060)	0
Closing General Fund Balance	2,921,146	(2,388,014)	533,132

The Leicestershire Pension Fund was re-valued as at 31 March 2016 and a triennial valuation completed in accordance with statutory requirements. There is currently an actuarial deficit (i.e. the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members). Whilst action is needed to remedy this position the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An Employers Contribution rate of 20.4% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value of £270,000 (£306,000 including HRA) is payable to the Local Government Pension Scheme which is contained in a corporate budget.

In addition to service priorities, there are a number of wider issues, identified in the Budget Strategy and previously in the Medium Term Financial Strategy. A summary of these items and how they have been addressed in the budget is provided below:

Reserves

The Council has the following policies relating to levels of balances and reserves:

- Maintain general balances (non earmarked) at a minimum of 10% of Hinckley & Bosworth Borough Council's budget requirement, changed to an average of 15% over the life of the Medium Term Financial Strategy (MTFS) from 2018/19.
- Any notional surplus/deficit earned/incurred by the Direct Service Organisations will be transferred to/from General Fund balances. Any such balance on the Housing Repairs Client account is transferred to/from the Housing Repairs Account held within the Housing Revenue Account

Narrative Report

Financial Performance of the Council 2018/19

The outturn for 2018/19 saw an improvement in the financial position compared with that anticipated position when the Budget was prepared in the autumn of 2018. When the revised position was reported to Council in February 2019 £0.827m was estimated to be taken from balances. The actual outturn has resulted in £0.660m being taken from balances. The main reason for the variation was additional business rates income.

A summary position to 31st March 2019 is set out below:

	Original Estimate 2018/19	Revised Estimate 2018/19	Draft Outturn 2018/19
	£	£	£
Support Services	189,460	371,921	65,279
Corporate Services	2,694,291	2,759,903	3,421,821
Community Services	2,168,588	2,578,923	1,929,998
Environment and Planning	7,276,979	7,586,557	7,744,501
Further Savings in Year			
Total service expenditure	12,329,318	13,297,304	13,161,599
Less:			
Special Expenses	(599,040)	(599,040)	(584,583)
Capital Accounting Adjustment	(1,940,970)	(1,940,970)	(2,476,470)
Net external interest (received)/paid	340,553	340,553	780,804
IAS19 Adjustment	(538,140)	(538,140)	(1,155,950)
Carry forwards from prior year	0	(187,558)	(187,558)
Pensions – In year costs	0	0	87,000
Carry forwards to next yr.	0		302,069
Employee Benefit	0		(5,161)
Transfer to reserves	2,784,880	2,784,880	2,965,693
Transfer from reserves	(1,067,811)	(1,220,561)	(1,056,581)
Transfer from unapplied grants		(397,139)	(314,607)
Transfer to unapplied grant			449,093
Transfer to/(from) pensions reserves			
Transfer to/(from) Collection Fund Adj A/c			65,823
Transfer to/(from) balances	(688,276)	(507,815)	(659,943)
Business Rates Growth			
HBBC Budget Requirement	10,620,514	11,031,514	11,371,228

Narrative Report

Capital Strategy and Capital Programme 2017/18 to 2020/21

The Capital Programme (the Programme) is produced on an annual basis to cover the current year and forecasts for the next three financial years. The Programme supports the Council's Corporate Plan and Medium Term Financial Strategy and ensures that resources are allocated and are used effectively to achieve corporate targets.

The general fund programme is concentrated around achievement of four priority capital projects to aid the economic regeneration of the area and improve the facilities available for residents and council tax payer, namely:

- Continued redevelopment of our interest in "The Crescent" retail area.
- Rural Community assistance through the Developing Community Funds
- The development of a crematorium site
- The Green spaces delivery plan

The overall Capital Programme approved by Council in February 2019 for 2018/2019 – 2020/2021 is given below.

	2018/2019	2019/2020	2020/2021	Total
Expenditure	10,143,094	17,547,235	9,071,887	36,762,216
Financed from:				
Reserve	6,606,075	9,305,160	5,038,724	20,949,959
Capital Receipts	1,429,310	3,955,350	2,054,430	7,439,090
Borrowing	1,029,905	1,876,822	1,214,053	4,120,780
Grant income	1,077,804	2,409,903	764,680	4,252,387
Total financing	10,143,094	17,547,235	9,071,887	36,762,216

Proposed Capital Programme - Housing Revenue Account

The proposed Capital Programme for the Housing Revenue Account (the HRA Programme) is included in the Appendix. The HRA Programme reflects the main investment priorities included in the Housing Revenue Account Investment Plan which was approved by Council in November 2018.

These were:

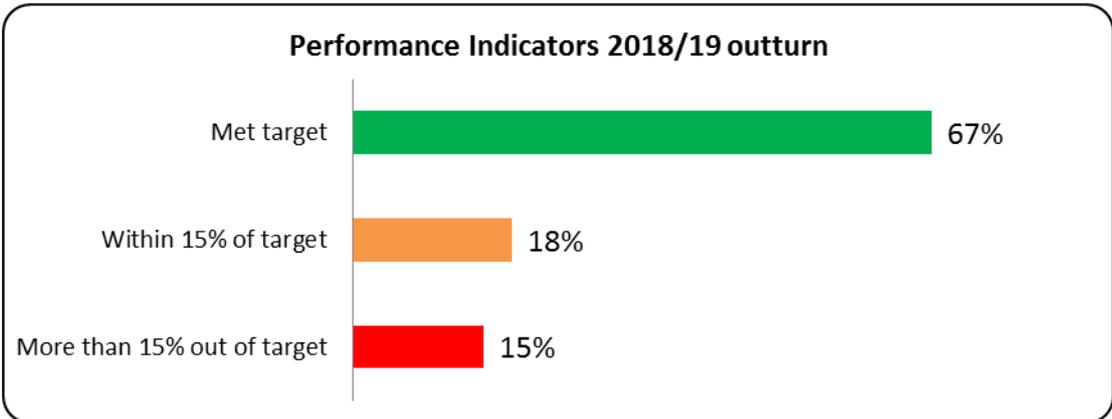
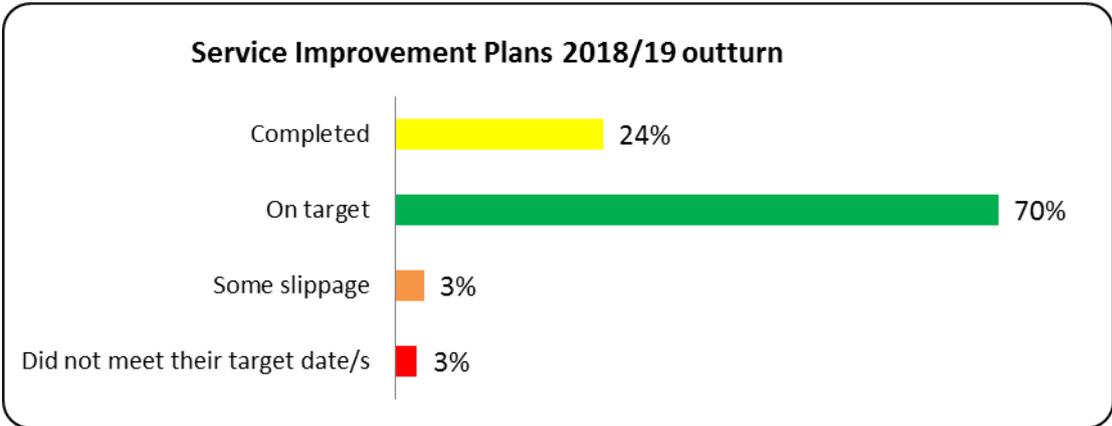
- Ongoing investment to existing stock
- Service improvements
- Affordable Housing

£23.804m of investment has been proposed over 5 years the life of the HRA Programme into existing stock. The sequence of these works is based on the outputs of the most recent stock condition survey. Additional affordable housing schemes of £2.857m are also included.

Narrative Report

Non-Financial Performance of the Council 2018/19

The Council uses plans and strategies at all levels of the organisation to plan and monitor the achievement of aims and objective. At a corporate level, the system is governed by the Corporate Planning Framework. The Council's objectives are reflected in Service Improvement Plans which outline how each service will achieve the corporate aims within a three year period. Plans are refreshed annually and progress against targets are managed through the TEN performance management system monthly. Performance reports are produced for service managers', team briefings, monthly and joint boards on a quarterly basis. Individual staff performance is monitored through annual performance development assessments and biannual reviews. Performance reports are produced for the Finance and Performance Committee quarterly, and annually in the Corporate Performance Plan. Action plans are in place for all performance indicators that have not been met and have been reported to the Finance and Performance Committee as well as joint boards. Corporate level performance for the 2018/19 year was reported as follows:



There have been no changes in the statutory functions of the Council in year.

Narrative Report

Corporate Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The Corporate Risk Register plays an integral role to support production of the Corporate Plan and is subject to annual review by the Audit Committee when it approves the final accounts. The Annual Governance Statement includes our review of the corporate risks facing the council, and if any are considered significant. For 2018/19 this review should conclude that there are no significant control weaknesses have been identified for reporting in 2018/2019.

This has been confirmed by the Council's Internal Auditors in their year end opinion. The Council currently has a number of significant projects covering a wide range of services, which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. Specific risks relating to partnerships and projects have been incorporated into the Annual Governance statement where appropriate.

Material Changes

Any material items impacting on the Comprehensive Income and Expenditure Statement or Balance Sheet are separately disclosed to ensure transparency.

Accounting Policies

The Council's Accounting Policies are contained in the Statement of Accounts from page 90 to page 103.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements. They should be read in order to give an understanding to the numerical information disclosed in the financial statements.

The Council's Accounting Policies are reviewed on an annual basis and updated for any changes in the Code. There have been no significant changes to the accounting policies for 2018/19.

Revenue Reserves

Revenue reserves and revenue balances as at 31st March were as follows:

	2019 £000's	2018 £000's
Earmarked Revenue Reserves	5,072	6,067
General Fund Balances	2,197	2,487
Housing Repairs Account	290	329
Housing Revenue Account	789	730
Total	8,348	9,613

Narrative Report

The Council holds the following policies in respect of fund balances:

- General Fund balances should be held at a minimum of 10% of the General Fund net budget requirement to meet the costs of any unforeseen events, with an average of 15% over the term of the MTFs as from 2018/19.
- Housing Revenue Account balances should be held at a minimum of £250 per property to ensure sufficient balances are maintained for central repairs.

Pension Costs

The accounting policy in respect of pension costs is in accordance with International Accounting Standard 19 (IAS 19) and reflects the Council's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

IAS 19 requires Council's to see beyond their commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the Council's financial position. A net pension asset indicates that a Council has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

The assets held by the pension scheme are valued on a regular basis by independent actuaries at fair value and in accordance with the requirements of IAS 19.

Hymans Robertson, has undertaken pension expense calculations in accordance with IAS 19 in respect of the Local Government Pension Scheme (the LGPS) administered by Leicestershire County Council. A full triennial valuation of the scheme was conducted as at 31st March 2018.

Note 36 discloses a net pension liability of £41.060 million for the Council as at 31st March 2019 compared to £33.607 million at 1st April 2018. Under legislation the Council is required to charge to revenue each year the value of contributions payable to the LGPS administrator rather than the cost of service calculated by IAS 19. This is done by creating a Pensions Reserve that offsets the liability but is not usable other than to balance out the liability.

The significance of the movement during the year is the difference between the expected and actual return on pension scheme assets. The difference arises because events have not coincided with actuarial assumptions or that the actuarial assumptions have changed.

The accounting entries for IAS 19 have no impact on the General Fund and therefore Council Tax.

Capital Expenditure and Disposals

Capital expenditure on Property, Plant and Equipment in 2018/19 was £10.326 million. Of this total £1.465 million relates to Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The Council disposed of assets worth £1.787 million in the year of which related to right to buy dwelling sales.

Narrative Report

External Borrowing

As at 31st March 2019 the Council had total external borrowing of £75.952 million which consisted of long-term borrowing from the Public Works Loan Board (PWLB). The Council is currently able to raise finance using the following approved borrowing instruments and funding is acquired after comparing the various rates available to ascertain the cheapest source and the most appropriate period:

- PWLB Loans;
- Market Long-Term Loans;
- Market Temporary Loans;
- Bank Overdraft;
- Internal Funding; and
- Operational Leasing.

The Council manages its treasury management activities through the adoption of a Treasury Management Strategy and Prudential Indicators, both of which are monitored on a quarterly basis by the Finance and Performance Committee. The main elements of these documents are reflected in Note 37.

In 2018/19 the Council complied with all the relevant statutory and regulatory requirements which require the identification and, where possible, quantification of the levels of risk associated with treasury management activities. In particular the Council's adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that capital expenditure is prudent, affordable and sustainable, and treasury practices demonstrate a low risk approach.

Provisions, Contingencies and Write Offs

The Balance Sheet contains provisions of £1.408 million as at 31st March 2019. As with previous years, this balance contains the capital cost of early retirement and future costs of redundancies that are probable in the forthcoming year. In addition, provisions have been disclosed in 2018/19 to provide for costs of legal cases that are likely to require settlement in 2019/20.

Under Business Rates Retention guidelines, the Council is required to make provisions for refunding ratepayers, who have appealed against the rateable value of their property on the rating list and may be successful. A provision of £1.353 million has been estimated for this Council for 2018/19.

Where a liability is possible (but not likely) or the cost cannot be reliably estimated, a contingent liability is disclosed. Note 38 contains details of one contingent liability to acknowledge that further business rates appeals may be lodged in 2019/20 relating to rateable values decided in 2018/19. In order to ensure completeness of these disclosures, a formal review of provisions and contingencies is conducted annually by both the Strategic Leadership Team.

Write offs are processed by the Council on key income streams in line with the Debt Recovery Policy and also the Financial Procedure Rules. Total write offs for the 2018/19 year are summarised below. There were no single material write offs processed in year and all arose in the course of standard Council operations.

Narrative Report

	2018/19 £000's	2017/18 £000's
General Fund Write Offs	9	18
Housing Revenue Account Write Offs (including rents)	14	11
Collection Fund Write Offs	254	457
Total Write Offs	277	486

Resources Available to Support Future Capital Expenditure

As at 31st March the Borough Council had the following reserves available to meet future capital expenditure:

	2019 £000's	2018 £000's
Unapplied Grants and Contributions	2,783	565
Usable Capital Receipts Reserve	7,981	4,733
Earmarked Revenue Reserve for Future Capital Projects	14,503	12,126
Total available resources	25,267	17,424

The Council's Capital Programme is reviewed annually and new estimates are approved at the same time as the revenue budget. The current General Fund Capital Programme and funding implications for 2018/19 onwards are detailed below. It is evident from this detail that the agreed Capital Programme is predominantly supported by borrowing which was endorsed through an increase of the Authorised Limit by Council.

	2019/20 £000's	2020/21 £000's	2021/22 £000's
Corporate Support	351	135	156
Community Services	1,318	1,143	1,143
Environment & Planning	4,772	2,500	460
Expenditure Total	6,441	3,778	1,759
General Financing			
Capital Receipts	3,955	1,334	633
Borrowing	656	1,214	359
Contribution from reserves	750	475	25
Grants	1,080	755	742
Financing Total	6,441	3,778	1,759

Narrative Report

Housing Revenue Account

The financial statements of the Housing Revenue Account appear as an additional financial statement. The Housing Revenue Account shows the economic costs in the year of providing landlords, housing services. In 2018/19 the Housing Revenue Account had a surplus of £0.057 million compared with a deficit of £0.141 million in 2017/18. This position reflects the transfer of significant balances to the HRA Regeneration Reserve for future capital expenditure.

The Housing Repairs Account shows a deficit of £0.037 million in 2018/19 compared with a deficit of £0.114 million in 2017/18.

The total of both the Housing Revenue Account and Housing Repairs account balances at 31st March 2019 was £1.075 million compared with £1.055 million in 31st March 2018. The Housing Revenue Regeneration Reserve held a balance of £9.895 million and will be used to fund future Affordable Housing schemes.

Collection Fund

From 1st April 1990 the Council has been required by the Local Government Finance Act 1988 to maintain a Collection Fund for transactions relating to the collection of Council Tax and Non-Domestic Rates. The Collection Fund shows the amounts collected for Council Tax and national Non-Domestic Rates and how this income has been distributed and these details are set out in the Collection Fund Statement. In 2018/19, the Collection Fund collected £97.247 million from Council Tax and National Non-Domestic Rates compared to £91.609 million in 2017/18.

The Current Economic Climate and Medium Term Financial Strategy

The current economic climate is acknowledged to indirectly impact on the Council's financial standing as follows:

- Potential reduction of income streams and likely increases in bad debt and write offs as a result.
- Increase in the call on demand led services such as benefits payments and homelessness.
- Reduction in the level of income from Council investments.
- A fall in the economic value of assets and potential capital receipts for disposals.

The Council's Medium Term Financial Strategy sets out the financial planning framework for the Council and shows how national, regional, sub-regional and local issues such as those detailed above, are taken into account in planning the resources available for service delivery. Financial planning is essential and enables the Council to set objectives and priorities, turn policy decisions into programmes of action, decide how to best allocate the resources available and review results so that learning feeds back into the decision-making process.

The ongoing impact of austerity measures enacted by Government, means that local government budgets have been and will continue to be radically reduced due to cuts in central government funding and local reductions in traditional income streams. Changes in local government financing mean that significant risks of funding of local services have been passed over by central government to local government through the changes to Business Rates

Narrative Report

Retention (BRR), Localisation of Council Tax support (LCTS) and New Homes Bonus (NHB). That said, guidance in these areas is ever changing, making it difficult for authorities to reliably forecast or pre-empt financing arrangements going forward.

These changes and the general move to local self reliance has meant the Council has to look for income from other sources and has had to make difficult decisions in relation to the level of Council Tax it will charge. Key decisions in this area have been to accept the government's offer to increase the Council Tax by £5 each year for the period of the MTFS, as the Council is in the bottom quartile of charge levied in England and Wales, and levy a £24 green waste charge for the duration of the MTFS.

The council continues to minimise increases to fees and charges (e.g. car parking charges) to assist local residents and businesses which means that the Council's budgets continue to be under pressure. The financial modelling and forecast contained in the MTFS have included these factors. In Leicestershire, the County Council's notes it is facing significant financial, demographic and service demand challenges. It needs to deliver savings of £75m over the next four financial years (2019/20 to 2022/23), with £13.3m savings to be made in 2019/20. It is looking at how it can make savings from interactions with partners or increase income. The Medium Term Financial Strategy contains ten strategic financial objectives which seek to mitigate the impact of financial pressures on the Council. Details of these objectives are provided below:

1. The Council should allocate resources to services in line with the Corporate Aims and Ambitions.	6. Capital expenditure is properly appraised.
2. Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework.	7. When funding the Capital Programme, all funding options are considered.
3. The Council must search for new sources of funding to support its activities and maximise opportunities from emerging economic initiatives such as City Deals and Local Growth Funds.	8. To review levels and purpose of Reserves and Balances.
4. To review the scale of fees and charges at least annually.	9. To maintain sustainable Council Tax increases.
5. To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise.	10. To increase efficiency savings and generate funding through shared services and collaborative working.

Publication of Accounts

The Statements have been prepared in accordance with the 2018/19 edition of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and International Financial Reporting Standards (IFRS). The Statements present the financial affairs of the Council in accordance with the Service Reporting Code of Practice (SeRCOP).

As well as the narrative report, the information included within the financial statement included covers the core statements, the supplementary statements and the Annual Governance statement. Further details are given below:

Narrative Report

<p>Comprehensive Income and Expenditure Statement (CIES)</p>	<p>This covers the sources of all income received and the cost of providing services in the year based on International Financial Reporting Standards and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), rather than the amount funded from Council Tax, and other Government grants.</p> <p>The amount funded from Council Tax and Government grants differ from the information in CIES by a series of amendments made in accordance with regulations, these amendments are reflected through the Movement in Reserves Statement.</p>
<p>Movement in Reserves Statement (MIRS)</p>	<p>The MIRS shows the movement in the year on the various reserves held by the Council. Reserves are classified into usable and unusable reserves. Usable Reserves are those that can be used to cover expenditure or reduce the level of local taxation required. They include the general fund, earmarked reserves and the capital receipts reserve.</p> <p>Unusable reserves tend to arise due to difference in the legal responsibilities that cover how transactions need to be accounted for and accounting requirements. These reserves cannot be used to cover expenditure, and include the pensions reserve, the revaluation reserve and the capital adjustment account.</p>
<p>Expenditure & Funding Analysis</p>	<p>This is a reconciliation between management reporting segments and the CIES surplus and defect on the provision of services. The statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practises with statutory defined charges to the General fund and HRA.</p>
<p>Balance Sheet</p>	<p>The Balance sheet gives the value of the Council's assets and liabilities at the financial year end, referred to as the Balance Sheet date. The net position of the total assets less total liabilities are matched by the overall level of reserves held.</p>
<p>Cash Flow Statement</p>	<p>The cash flow statement discloses movements in cash flows of the authority during the financial year. The cash flow statement shows movements in the authority's cash and cash equivalents. Cash equivalents include short term investments that are easily changeable in to cash and only have an insignificant risk of changes in value.</p>
<p>Notes to the financial statements</p>	<p>These include a summary of significant accounting policies that guide our basis for the way items are accounted for, notes that give further information on items included in the main financial statements and other explanatory information.</p>
<p>Supplementary Statements: Housing Revenue Accounts, and Collection Fund</p>	<p>These are the Housing Revenue Account (HRA) and Collection Fund. The HRA covers the income from housing activities and Council's expenditure on Council housing; this has to be shown separately and has its own set of notes giving more detailed information. The Collection Fund gives level of business rates and council tax that the Council has to collect, not only for itself, but also for Central Government, Leicestershire County Council,</p>

Narrative Report

	Leicestershire Police & Crime Commissioner, Leicester, Leicestershire and Rutland Combined Fire Authority and on behalf of Town & Parish Councils.
Annual Governance Statement	The Council has approved and adopted a code of corporate governance, which is consistent with the national requirements on good governance in local government. The Annual Governance Statement provide a summary of how the Council has reviewed compliance with this code, the role of the governance structures involved, such as the Audit Committee and other Committees as relevant to governance, and any issues, if any are identified and proposed action needed.

These Statements are supported by accompanying notes.

These unaudited accounts were approved for publication on 29th May 2019 by A Wilson, Head of Finance. Events after the Balance Sheet Date have been considered up to this date and disclosed in Note 5.



A Wilson FCCA, BCom (Acc) (Hons)
Head of Finance (Section 151 Officer)

Date:- 29/5/2019

STATEMENT OF *Responsibilities*

The Council's Responsibilities

The Council is required to:

- a) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Head of Finance.
- b) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- c) approve the Statement of Accounts.

The Head of Finance's Responsibilities

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

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

- a) selected suitable accounting policies and then applied them consistently;
- b) made judgements and estimates that were reasonable and prudent;
- c) complied with the Local Authority Code;

The Head of Finance has also:

- a) kept proper accounting records, which were up to date;
- b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that The Statement of Accounts 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 31st March 2019.



A.Wilson, FCCA, BCom(Acc) (Hons)

Cllr D.S. Cope

Head of Finance

Chair of Audit Committee

Date:- 29/5/2019

Date:-

CORE *financial* STATEMENTS

THE *Movement in Reserves Statement*

THE *Comprehensive Income and Expenditure Statement*

THE *Balance Sheet*

THE *Cash Flow Statement*

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services and more details are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax and dwellings rent setting purposes respectively. The "Net increase/decrease before transfers to earmarked reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

The Comprehensive Income and Expenditure Statement

This statement is fundamental to the understanding of the Council's activities, in that it reports the cost of services of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the Council's functions, in three distinct sections, each divided by a sub-total.

The *first* section provides accounting information on the costs of the local Council's different services, net of specific grants and income from fees and charges, to give the cost of services. It also includes the cost of any acquired and discontinued operations.

The *second* section comprises items of income and expenditure relating to the Council as a whole. When added to the cost of services these give the Council's Surplus or Deficit on provision of services and it also include the cost of any acquired or discontinued operations.

The *third* section shows the total comprehensive income and expenditure. Not all gains and losses are reflected in the Surplus or Deficit on provision of services for example, gains on revaluations of Non Current Assets are excluded, because they arise out of asset changes rather than from the entity's operating performance that complete position and performance of the Council. Therefore it is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period in this section. This is the total gains and losses of the Council to give a complete performance of the Council.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories. The first is usable reserves and these are reserves which the Council can use to provide services. The second is unusable reserves the Council cannot use to provide services.

The Cash Flow Statement

The Cash Flow statement shows how the Council generates and uses cash and cash equivalents and is produced using CIPFA's indirect method.

The Expenditure and Funding Analysis note

The 'Expenditure & Funding Analysis' note provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES. It also shows how the expenditure is allocated for decision making purposes between directorates/services. This change has enabled the previous segmental reporting requirements to be streamlined. The changes will remove some of the complexities of the current segmental note.

Movement in Reserves Statement

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserve	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017 carried forward	8,139	11,773	2,642	408	3,341	26,303	95,066	121,369
Total Comprehensive Income and Expenditure	497	3,491	0	0	0	3,988	7,059	11,047
Adjustments between accounting basis & funding basis under regulations (Note 6)	1,284	(4,040)	2,092	191	(403)	(875)	875	0
Increase/(Decrease) in Year	1,781	(549)	2,092	191	(403)	3,113	7,934	11,047
Balance at 31 March 2018 carried forward	9,920	11,224	4,734	599	2,938	29,416	103,000	132,416
Total Comprehensive Income and Expenditure	(2,985)	916	0	0	0	(2,069)	(1,916)	(3,985)
Adjustments between accounting basis & funding basis under regulations (Note 6)	3,561	(941)	3,247	9	(62)	5,814	(5,814)	0
Increase/(Decrease) in Year	576	(25)	3,247	9	(62)	3,745	(7,730)	(3,985)
Balance at 31 March 2019 carried forward	10,496	11,199	7,981	608	2,876	33,161	95,270	128,431
Fund Balance	1,933	795						
Earmarked reserve	8,563	10,404						
Balance at 31 March 2019 carried forward	10,496	11,199						

Comprehensive Income and Expenditure Statement

2017/18				2018/19			
Gross Expenditure	Gross Income	Expenditure / (Income)	Note	Gross Expenditure	Gross Income	Expenditure / (Income)	
£'000	£'000	£'000		£'000	£'000	£'000	
3,595	(2,902)	693		3,820	(2,196)	1,624	
20,995	(18,377)	2,618		19,647	(15,803)	3,844	
10,854	(4,579)	6,275		11,773	(4,017)	7,756	
1,938	(1,493)	445		1,627	(1,559)	68	
8,232	(13,674)	(5,442)		10,936	(13,528)	(2,592)	
45,614	(41,025)	4,589		47,803	(37,103)	10,700	
1,450	0	1,450	8	1,877	0	1,877	
5,290	(1,653)	3,637	9	5,455	(1,893)	3,562	
1,996	(15,660)	(13,664)	10	1,727	(15,797)	(14,070)	
54,350	(58,338)	(3,988)		56,862	(54,793)	2,069	
		(4,208)	11			(3,315)	
		(2,851)	36			5,231	
		(7,059)				1,916	
		(11,047)				3,985	

Balance Sheet

As at 31st March 2018 £'000		Note	As at 31st March 2019 £'000
236,307	Property, Plant & Equipment	11	242,913
121	Heritage Assets	12	121
687	Intangible Assets	13	646
141	Long Term Receivables	17	111
240,256	Long Term Assets		243,791
9,800	Short Term Investments	16	16,400
1,800	Assets Held for Sale	14	0
15	Inventories		16
5,682	Short Term Receivables	18	5,704
5,583	Cash and Cash Equivalents	15	3,357
22,880	Current Assets		25,477
(371)	Cash and Cash Equivalents	15	(186)
(10,348)	Short Term Payables	19	(11,472)
(1,208)	Provisions	20	(1,408)
(11,927)	Current Liabilities		(13,066)
(1,366)	Long Term Payables	19	(598)
(75,952)	Long Term Borrowing	37	(75,952)
(41,436)	Other Long Term Liabilities	21	(51,196)
(39)	Capital Grants Receipts in Advance		(25)
(118,793)	Long Term Liabilities		(127,771)
132,416	Net Assets		128,431
29,416	Usable Reserves	22	33,161
103,000	Unusable Reserves	23	95,270
132,416	Total Reserves		128,431

Cash Flow Statement

2017/18		Note	2018/19
£'000			£'000
3,988	Net surplus or (deficit) on the provision of services		(2,069)
5,758	Adjustment to surplus or deficit on the provision of services for noncash movements		9,525
(568)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(1,117)
<u>9,178</u>	Net Cash flows from Operating Activities	24	<u>6,339</u>
(10,450)	Net Cash flows from Investing Activities	25	(11,006)
(373)	Net Cash flows from Financing Activities	26	2,626
<u>(1,645)</u>	Net increase or decrease in cash and cash equivalents		<u>(2,041)</u>
6,857	Cash and cash equivalents at the beginning of the reporting period		5,212
<u>5,212</u>	Cash and cash equivalents at the end of the reporting period	15	<u>3,171</u>

Expenditure and Funding Analysis

2018/19	As reported for resource management £'000	Adjustment to arrive at the net amount chargeable to General Fund and HRA Balances £'000	Net Expenditure chargeable to the General Fund and HRA £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	1,216	(645)	571	1,053	1,624
Corporate Services	2,293	554	2,847	997	3,844
Environment & Planning	5,336	1,889	7,225	531	7,756
Support Services	3,948	(4,283)	(335)	403	68
Housing (HRA)	(6,678)	5,027	(1,651)	(941)	(2,592)
Net cost of Services	6,115	2,542	8,657	2,043	10,700
Other Income and Expenditure	(9,077)	(131)	(9,208)	577	(8,631)
Surplus or Deficit	(2,962)	2,411	(551)	2,620	2,069

Opening General Fund and HRA Balance	21,144
Less Deficit on General Fund and HRA Balances	551
Closing General Fund and HRA Balance at 31 March	21,695

Expenditure and Funding Analysis

2017/18	As reported for resource management £'000	Adjustment to arrive at the net amount chargeable to General Fund and HRA Balances £'000	Net Expenditure chargeable to the General Fund and HRA £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	1,298	(1,717)	(419)	1,112	693
Corporate Services	1,269	977	2,246	371	2,617
Environment & Planning	4,819	800	5,619	656	6,275
Support Services	4,102	(4,116)	(14)	460	446
Housing (HRA)	(7,083)	5,681	(1,402)	(4,040)	(5,442)
Net cost of Services	4,405	1,625	6,030	(1,441)	4,589
Other Income and Expenditure	(7,145)	(118)	(7,263)	(1,314)	(8,577)
Surplus or Deficit	(2,740)	1,507	(1,233)	(2,755)	(3,988)
Opening General Fund and HRA Balance			19,912		
Less Deficit on General Fund and HRA Balances			1,233		
Closing General Fund and HRA Balance at 31 March			<u>21,145</u>		

NOTES TO THE *Comprehensive Income and Expenditure Statement*

Note to the Expenditure and Funding Analysis

2018-19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Community Services	1,050	0	3	1,053
Corporate Services	997	0	0	997
Environment & Planning	528	0	3	531
Support Services	403	0	0	403
HRA - Housing Revenue Account	(1,169)	228	0	(941)
Net Cost of Services	1,809	228	6	2,043
Other income and expenditure	(1,346)	1,994	(71)	577
Total	463	2,222	(65)	2,620

2017-18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Community Services	1,113	0	(1)	1,112
Corporate Services	380	0	(9)	371
Environment & Planning	654	0	2	656
Support Services	458	0	2	460
HRA - Housing Revenue Account	(4,272)	232	0	(4,040)
Net Cost of Services	(1,667)	232	(6)	(1,441)
Other income and expenditure	(3,206)	1,984	(92)	(1,314)
Total	(4,873)	2,216	(98)	(2,755)

NOTES TO THE *Comprehensive Income and Expenditure Statement*

Supplementary Analysis for the CIES Expenditure and Income Analysed by Nature

Expenditure/Income	2018/19 £'000	2017/18 £'000
Expenditure		
Employee benefits expenses	15,232	13,965
Other services expenses	25,456	27,156
Depreciation, amortisation and impairment	6,983	4,376
Interest Payments - Note 9	2,949	2,932
Precepts and Levies - Note 8	2,002	1,861
Pension Interest costs - Note 9	2,638	2,475
Council Tax/NDR	1,727	1,996
Payments to Housing Capital Receipts Pool - Note 8	415	415
Gain on the disposal of assets - Note 8	(540)	(826)
Total Expenditure	56,862	54,350
Income		
Fees, charges and other service income	(21,918)	(22,139)
Interest and investment income - Note 9	(180)	(84)
Income from council tax, non-domestic rates, district rate income	(11,460)	(10,914)
Expected return on pension assets - Note 9	(1,713)	(1,569)
Government grants and contributions - Note 30	(19,522)	(23,632)
Total Income	(54,793)	(58,338)
Surplus or Deficit on the Provision of Services	2,069	(3,988)

Supplementary Analysis for the CIES Segment Reporting

	Community Services £'000	Corporate Services £'000	Environment and Planning £'000	Support Services £'000	HRA £'000	Total £'000
2017-18						
Revenues from External Customers	(1,020)	(2,212)	(3,793)	(1,493)	(13,621)	(22,139)
2018-19						
Revenues from External Customers	(1,160)	(2,933)	(3,802)	(562)	(13,461)	(21,918)

1. Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- **IFRS 9 Financial Instruments** which introduces prepayment features with negative compensation.

Additionally there are changes to IFRIC 22 (clarifies the treatment of advance foreign currency payments) and IFRIC 23 (gives additional guidance on income tax treatment where there is uncertainty)

2. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- In preparing the 2018/19 financial statements the Council have completed a review of property plant and equipment held to review the basis of the valuation. This has been completed with the involvement of our external valuers
- 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 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.
- 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. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Accounting Policies describe the significant areas in which estimates and assumptions have been made relating to the reporting of results of operations and the financial position of the Council.

The items in the Council's Balance Sheet at 31st March 2019 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE *Core Financial Statements*

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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> <ul style="list-style-type: none"> • A decrease in the discount rate assumption would result in an increase in pension liability. • A one year increase in member life expectancy would result in an increase in pension liability. • An increase in the pension rate would result in an increase in pension liability. • A 1% increase in the pension liability would decrease the Council's net assets by £0.411 million.
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>
Britain leaving the European Union (Brexit)	<p>There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time the final decision on the UK future relationship with the EU is unknown. It is not possible to predict which path will be taken and whether liability or asset values will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or increase liabilities held.</p>	<p>Higher impairment allowances may need to be charged in the future if asset values fall and if the discount rate changes the size of the net pension liability will also vary.</p>

4. Material Items of Income and Expenses

There are no other material items, not otherwise disclosed in the Comprehensive Income and Expenditure Statement and other schedules that require disclosure here.

5. Events After the Balance Sheet Date

Events after the Balance Sheet Date Events 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 events can be identified:

Adjusting Events

Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

Non-adjusting Events

Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

The Statement of Accounts were authorised for issue on xxth June 2019 by A. Wilson, Head of Finance.

Events taking place after this date are not reflected in the financial statements or notes.

NOTES TO THE Core Financial Statements

6. Adjustments between Accounting Basis and Funding Basis under Regulation

2018/19	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Charges for depreciation and amortisation of non-current assets	(1,514)	(2,696)	0	0	0	4,210
Revaluation losses/gains on Property Plant and Equipment	(1,155)	(1619)	0	0	0	2,774
Revenue expenditure funded from capital under statute	(1,465)	0	0	0	0	1,465
Capital expenditure financed from Unapplied Grants and Contributions	389	0	0	0	0	(389)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,801)	(1,788)	0	0	0	3,589
Capital expenditure charged to fund balances	45	0	0	0	0	(45)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Statutory Provision for the financing of capital investment	1,228	0	0	0	0	(1,228)
	<u>(4,273)</u>	<u>(6,103)</u>	<u>0</u>		<u>0</u>	<u>10,376</u>
Adjustments primarily involving the Capital Grants Unapplied Reserve						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	114	50	0	0	(164)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	913	2,115	0	0	0	(3,028)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	226	(226)
	<u>1,027</u>	<u>2,165</u>	<u>0</u>	<u>0</u>	<u>62</u>	<u>(3,254)</u>
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,028	2,099	(4,127)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(415)	0	415	0	0	0
Use of the Capital Receipts reserve to finance new expenditure	0	0	465	0	0	(465)
	<u>1,613</u>	<u>2,099</u>	<u>(3,247)</u>	<u>0</u>	<u>0</u>	<u>(465)</u>

NOTES TO THE Core Financial Statements

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,009)	(608)	0	0	0	4,617
Employers pension contribution payable in the year	2,015	380	0	0	0	(2,395)
	<u>(1,994)</u>	<u>(228)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,222</u>
Adjustments involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,009	0	(3,009)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,000	0	(3,000)
	<u>0</u>	<u>3,009</u>	<u>0</u>	<u>(9)</u>	<u>0</u>	<u>(3,000)</u>
Adjustments involving the Collection Fund Adjustment Reserve						
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	(52)	0	0	0	0	52
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	118	0	0	0	0	(118)
	<u>66</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(66)</u>
Adjustment involving the Accumulated Absences Adjustment Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	(5)	(1)	0	0	0	6
Adjustment involving the Financial Instrument Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	5	0	0	0	0	(5)
	<u>(3,561)</u>	<u>941</u>	<u>(3,247)</u>	<u>(9)</u>	<u>62</u>	<u>5,814</u>

NOTES TO THE Core Financial Statements

2017/18	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repair Reserves £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Charges for depreciation and amortisation of non-current assets	(1,616)	(2,630)	0	0	0	4,246
Revaluation losses/gains on Property Plant and Equipment	(996)	864	0	0	0	132
Revenue expenditure funded from capital under statute	(989)	0	0	0	0	989
Capital expenditure financed from Unapplied Grants and Contributions	1,676	13	0	0	0	(1,689)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(2,511)	0	0	0	2,511
Capital expenditure charged to fund balances	0	0	0	0	0	0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Statutory Provision for the financing of capital investment	1,434	0	0	0	0	(1,434)
	(491)	(4,264)	0		0	4,755
Adjustments primarily involving the Capital Grants Unapplied Reserve						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	249	0	0	0	(249)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	540	2,876	0	0	0	(3,416)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	652	(652)
	789	2,876	0	0	403	(4,068)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	719	2,618	(3,337)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(415)	0	415	0	0	0
Use of the Capital Receipts reserve to finance new expenditure	0	0	830	0	0	(830)
	304	2,618	(2,092)	0	0	(830)

NOTES TO THE Core Financial Statements

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,738)	(565)	0	0	0	4,303
Employers pension contribution payable in the year	1,755	333	0	0	0	(2,088)
	<u>(1,983)</u>	<u>(232)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,215</u>
Adjustments involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,041	0	(3,041)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	2,850	0	(2,850)
	<u>0</u>	<u>3,041</u>	<u>0</u>	<u>(191)</u>	<u>0</u>	<u>(2,850)</u>
Adjustments involving the Collection Fund Adjustment Reserve						
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	(191)	0	0	0	0	191
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	276	0	0	0	0	(276)
	<u>85</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(85)</u>
Adjustment involving the Accumulated Absences Adjustment Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	7	0	0	0	0	(7)
Adjustment involving the Financial Instrument Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	5	0	0	0	0	(5)
	<u>(1,284)</u>	<u>4,040</u>	<u>(2,092)</u>	<u>(191)</u>	<u>403</u>	<u>(875)</u>

NOTES TO THE Core Financial Statements

7. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19. In addition the note outlines balances of unapplied grants and contributions.

	Balance at 31st March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31st March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31st March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Benefits	59	0	0	59	0	0	59
Local Plan Procedure	669	(62)	0	607	(30)	100	677
Pensions Contribution	162	(55)	0	107	(54)	0	53
Waste Management	74	0	227	301	(175)	250	376
ICT	206	(15)	59	250	(99)	100	251
Asset Management	1,111	(313)	0	798	0	0	798
Planning Delivery Grant	29	(11)	0	18	0	0	18
Workforce Strategy	0	0	0	0	(175)	225	50
Elections	122	0	0	122	(42)	0	80
Grounds Maintenance	133	(6)	0	127	(200)	73	0
Transformation	147	(95)	0	52	(32)	0	20
Relocation	101	(51)	0	50	(50)	0	0
Special Expenses	142	(13)	20	149	(15)	20	154
Carry Forwards	266	(228)	188	226	(188)	302	340
Hub Future Rental Management	100	0	250	350	0	50	400
Business Rates Equalisation	1,717	(70)	727	2,374	(555)	745	2,564
Maintenance Fund - Green Towers	20	0	5	25	0	5	30
Minor Capital Projects	0	0	0	0	0	175	175
Hinckley Communities Initiative Fund	0	0	0	0	0	350	350
Enforcement & Planning Appeals	270	0	0	270	(40)	0	230
Parish & Communities Initiative Fund	0	0	0	0	0	375	375
Earl Shilton Toilets	100	0	0	100	0	0	100
Building Maintenance Costs	0	0	388	388	0	200	588
Developing Communities Fund	950	(192)	301	1,059	(683)	499	875
Total Earmarked Reserves	6,378	(1,111)	2,165	7,432	(2,338)	3,469	8,563
Unapplied Grants and Contributions	3,330	(1,645)	1,241	2,926	(226)	116	2,816
Total General Fund	9,708	(2,756)	3,406	10,358	(2,564)	3,585	11,379

NOTES TO THE *Core Financial Statements*

7. Transfers To/From Earmarked Reserves (continued)

HRA Piper Balance	156	0	11	167	(98)	11	80
HRA Communal Furniture	5	0	0	5	0	0	5
HRA Housing Repairs Account	443	(114)	0	329	(40)	0	289
Major Repairs Reserve	409	(2,850)	3,040	599	(3,000)	3,010	609
Regeneration	10,167	(2,875)	2,565	9,857	(2,015)	2,056	9,898
Pension Contributions	33	0	3	36	0	3	39
Service Improvement	50	0	0	50	0	0	50
HRA Carry Forwards	43	0	0	43	0	0	43
Total HRA Earmarked Reserves	11,306	(5,839)	5,619	11,086	(5,153)	5,080	11,013
HRA Unapplied Grants and Contributions	13	0	0	13	0	50	63
Total Housing Revenue Account	11,319	(5,839)	5,619	11,099	(5,153)	5,130	11,076

Earmarked Reserves General Fund

Commutation and Feasibility Reserve

The Council has been applying the commutation adjustment to reduce its Minimum Revenue Provision (MRP), but prospective increases in the capital financing requirement and a reducing commutation adjustment means that there will be a progressive increase in future MRP. Proposed capital projects often need feasibility studies before final commitment can be made to a project. This reserve will also be used to cater for each of these requirements.

Benefits Reserve

This reserve is to allow for variances between estimates for benefit payments and the subsidy received. In view of the material budget only a small variation would have a significant effect on balances. It is therefore prudent to keep an earmarked reserve for such variations. In addition, this reserve is in place to fund any large one off costs arising in the benefits service (e.g. redundancy costs).

Local Plan Procedure Reserve

This reserve is to fund the costs of the Local Development Framework. The reserve will be used as elements of the framework are required.

Pensions Contribution Reserve (General Fund and HRA)

This reserve has been created to meet future potential increases in employer's pension contributions resulting from triennial valuations of the Pensions Fund and requirements for "opt in" in 2018.

Waste Management Reserve

The Waste Management service is currently experiencing a number of pressures on its resources particularly in respect of the need to recycle more and conduct additional rounds. This reserve has been set up using under spends to provide resources to address the pressures ahead for this high priority service area.

7. Transfers To/From Earmarked Reserves (continued)

ICT Reserve

This reserve was set up to be used to further improve the ICT support service, in particular by upgrading the aging infrastructure and ICT.

Asset Management Reserve

At the present time the Council has an ambitious Capital Programme and is looking to facilitate the regeneration of Hinckley Town Centre & the Council's property portfolio.

Planning Delivery Grant Reserve

This reserve has been set up to carry forward receipts of Planning Delivery Grant that will be spent in future years.

Workforce Strategy Reserve

This reserve will fund resources to enable a corporate Workforce Strategy to be developed.

Elections Reserve

Elections to the Borough Council are held every four years. It is considered to be inequitable to charge the full cost in the year of the election. An earmarked reserve has therefore been created to allow the cost of the election to be provided for each year.

Grounds Maintenance Machinery Reserve

This reserve has been established from the savings in rental charges following the initial purchase of new machinery to allow for its replacement at the end of its useful life.

Transformation Reserve

This reserve has been created to provide resources to support the Transformation agenda within the Council.

Relocation Reserve

This reserve was established from savings in 2010/11 to provide resources to support the Council's office moves and subsequent expenditure.

Special Expenses Reserve

This reserve has been established to fund additional parks and open spaces expenditure within the Hinckley area.

Carry Forwards Reserve

Relates to those budget carry forwards (General Fund and HRA) authorised from the previous financial year.

7. Transfers To/From Earmarked Reserves (continued)

Business Rates Equalisation Reserve

Under Business Rates Retention, certain losses in rates will need to be funded by the Council. This reserve has been created to reflect the total amount of Business Rates this Council is required to “lose” before receipt of a safety net payment.

Hinckley Communities Initiatives Fund

Reserve created to match fund capital costs community of led regeneration projects in Hinckley Town.

Maintenance Fund – Green Towers Reserve

This reserve provides for any additional support that may be required for Hinckley Club for Young People e.g. issues with the building.

Parish & Communities Initiative Fund

Reserve created to match fund capital costs community of led regeneration projects in Hinckley Town

Minor Capital Projects

Reserve to fund future small regeneration projects in the Borough..

Appeals Reserve

Funds put aside to fund legal costs that may arise as a result of planning appeals.

Enforcement & Planning Appeals Reserve

A number of individual enforcement budgets have been consolidated in year and transferred to a reserve to act as a contingency for large cases that may arise.

Planning Capacity

Given significant fluctuations in the workload of Planning Services (e.g. due to influx of applications), this reserve has been set up to fund interim support that may be required. This reserve was created from additional planning fees that were received in 2014/15.

Earl Shilton Toilets Reserve

This reserve has been created to set aside funding for the future development of a public toilet facility in Earl Shilton.

Building Maintenance Costs

This reserve has been set to fund future one off maintenance pressures to non HRA properties.

Developing Communities Fund

This reserve has been set up to support efficiency and invest to save projects across parishes.

7. Transfers To/From Earmarked Reserves (continued)

Earmarked Reserves Housing Revenue Account

Piper Balance Reserve

This reserve will provide funding for the replacement of the Piper alarm system at the control centres when the current system becomes unviable.

Communal Furniture Reserve

This reserve has been created to provide for the replacement of furniture in communal areas of sheltered housing schemes which currently do not meet safety standards.

Housing Repairs Account Reserve

The Housing Repairs Reserve represents the cost of providing the housing repairs service to the Borough. This is detailed further in the notes to the Housing Revenue Account.

Regeneration Reserve

This reserve has been created from the available funds within the Housing Revenue Account following the introduction of self financing. The reserve will be used to fund projects outlined in the HRA Business and Investment Plans.

Service Improvement Reserve

Funds put aside from salary savings to fund costs associated with initiatives to improve the housing service.

8. Other Operating Expenditure

	2018/19	2017/18
	£'000	£'000
(Gain)/ Losses on disposal of Non Current Assets	(540)	(826)
Amounts due to Precepting Authorities	2,002	1,861
Contribution to Housing Pooled Capital Receipts	415	415
Total Operating Expenditure	1,877	1,450

NOTES TO THE *Core Financial Statements*

9. Financing and Investment Income and Expenditure

	2018/19	2017/18
	£'000	£'000
Interest Payable and Similar Charges (see note 37)*	2,949	2,932
Pension Interest Costs (see note 36)	2,638	2,475
Net Surplus of Undertakings (see note 27)	(133)	(117)
Interest and Investment Income (see note 37)	(180)	(84)
Expected Return on Pension Assets (see note 36)	(1,713)	(1,569)
Total Financing and Investment Income & Expenditure	3,561	3,637

* - Interest payable in 2018/19 includes £2.088 million interest on HRA self financing loans (2017/18 HRA interest £2.088 million)

10. Taxation and Non Specific Grant Income

	2018/19	2017/18
	£'000	£'000
Council Tax	(6,918)	(6,679)
Revenue Support Grant (see note 30)	(437)	(754)
National Non Domestic Rates	(2,816)	(2,239)
New Homes Bonus (see note 30)	(2,571)	(2,800)
S31 Grant Income (see note 30)	(1,289)	(1,192)
New Burdens Grant	(39)	0
Total Taxation and Non Specific Grant Income	(14,070)	(13,664)

NOTES TO THE Core Financial Statements

11. Property, Plant and Equipment

2018/19

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Infrastructure Assets	Assets under Construction	Surplus Assets*	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2018	176,833	48,956	7,652	5,091	1,506	1,912	2,040	243,990
Asset Transfers/Reclassifications	48	0	0	0	0	(48)	0	0
Transfer to Asset held for Sale	0	0	0	0	0	0	0	0
Additions	5,127	236	3,242	56	0	199	1	8,861
Revaluation Increases/(Decreases)								
- Recognised in the Revaluation Reserve	(2,164)	2,396	0	0	0	0	(1)	231
- Recognised in Provision of Services	(1,617)	(1,371)	0	0	0	(26)	0	(3,014)
Derecognition - Disposals	(1,787)	0	0	0	0	0	0	(1,787)
As at 31st March 2019	176,440	50,217	10,894	5,147	1,506	2,037	2,040	248,281
Depreciation and Impairments								
As at 1st April 2018	0	0	(4,237)	0	(444)	0	0	(4,681)
Depreciation charge	(2,631)	(693)	(631)	0	(56)	0	0	(4,011)
Depreciation written out to								
- The Revaluation Reserve	2,607	477	0	0	0	0	0	3,084
- The Provision of Services	24	216	0	0	0	0	0	240
As at 31st March 2019	0	0	(4,868)	0	(500)	0	0	(5,368)
Net Book Value at 31st March 2019	176,440	50,217	6,026	5,147	1,006	2,037	2,040	242,913

* *Former Leisure Centre Site- Valued at "Fair Value" which is the estimated best available market value price." Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs is significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.

NOTES TO THE Core Financial Statements

11. Property, Plant and Equipment (continued)

2017/18

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Infrastructure Assets	Assets under Construction	Surplus Assets	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2017 Asset	171,078	51,947	7,376	4,943	1,506	1,287	1,890	240,027
Transfers/Reclassifications	1,183	(2,594)	6	3	0	(598)	2,000	0
Transfer to Asset held for Sale	0	0	0	0	0	0	(1,890)	(1,890)
Additions	5,372	535	270	145	0	1,223	7	7,552
Revaluation Increases/(Decreases)								
- Recognised in the Revaluation Reserve	847	246	0	0	0	0	33	1,127
- Recognised in Provision of Services	864	(1,179)	0	0	0	0	0	(315)
Derecognition - Disposals	(2,511)	0	0	0	0	0	0	(2,511)
As at 31st March 2018	176,833	48,956	7,652	5,091	1,506	1,912	2,040	243,990
Depreciation and Impairments								
As at 1st April 2017	0	0	(3,640)	0	(390)	0	0	(4,030)
Depreciation charge	(2,559)	(795)	(597)	0	(56)	0	0	(4,007)
Depreciation written out to								
- The Revaluation Reserve	2,559	522	0	0	0	0	0	3,081
- The Provision of Services	0	273	0	0	0	0	0	273
As at 31st March 2018	0	0	(4,237)	0	(446)	0	0	(4,682)
Net Book Value at 31st March 2018	176,833	48,956	3,415	5,091	1,060	1,912	2,040	239,307

11. Property, Plant and Equipment (continued)

Depreciation

The following useful economic lives and depreciation rates have been used in the calculation of depreciation:

Asset Classification

Basis of Depreciation

Council Dwellings

Residual lives based on total life of between 40-60 years but with a minimum residual life of 20 years to reflect enhancements.

Land

Not depreciated.

Operational Buildings

Residual lives provided by the valuer in report of 31st March 2019. Depreciation is based upon the updated residual lives of revalued properties.

Vehicles, Plant and Equipment

Based on expected lives of the asset.

Infrastructure Assets

Depreciated over a 40 year life.

Community Assets

Not depreciated as these are land assets.

Intangible Assets

Amortised over useful life (e.g. software over 5 years).

Heritage Assets

Not depreciated as have indefinite life.

Surplus Assets

Not depreciated.

Capital Commitments

At 31st March 2019, the Council had capital commitments of £0.064 million relating to major car park resurfacing works.

Revaluations

The freehold and leasehold properties, which comprise the Council's property portfolio, are revalued by Wilks Head and Eve LLP of 6th Floor, Fairgate House, 78 New Oxford Street, London, WC1A 1HB. The valuations are carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors and the government specifications relating to the Housing Revenue Account.

A desktop valuation of Council Properties was undertaken by Wilks Head and Eve LLP as at 31st March 2019. The valuation of Council dwellings used beacon values to determine the total valuation.

Properties regarded as operational were valued on the basis of open market value for the existing use. Where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost basis was used.

NOTES TO THE *Core Financial Statements*

12. Heritage Assets

Heritage assets are those that are held and maintained principally for their contribution to knowledge and culture. They have historical, artistic, technological, geophysical or environmental qualities. All assets are deemed to have indefinite useful economic lives.

	2018/19 £'000	2017/18 £'000
Opening Balance	121	121
Closing Balance	121	121

13. Intangible Assets

The Council accounts for software as Intangible Assets, to the extent that the software is not integral part of a particular IT system and accounted for as part of a hardware item.

The Intangible Assets included on the Balance Sheet relate to both purchased licences and internally generated software. All Intangible Assets are given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites used by the Council is 5 years.

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £0.200 million charged to revenue in 2018/19 was charged to IT Administration cost centres and then absorbed as an overhead across all the service headings in the net expenditure of respective services.

The movement in Intangible Asset balances during the year is as follows:

	2018/19 £'000	2017/18 £'000
Opening Balance		
Gross carrying amounts	1,795	1,692
Accumulated amortisation	(1,108)	(870)
Net carrying amount – Opening Balance	687	822
Additions	158	103
Amortisation for the period	(199)	(238)
Net carrying amount – Movements in Year	(41)	(135)
Closing Balance		
Gross Carrying amounts	1,954	1,795
Accumulated amortisation	(1,308)	(1,108)
Net carrying amount - Closing Balance	646	687

NOTES TO THE *Core Financial Statements*

14. Assets Held for Sale

International Reporting Standard 5 requires Non-Current Assets Held for Sale and Discontinued Operations to be reported separately in the balance sheet. The Council has only one asset that meets the definition of Assets Held for Sale i.e. the Middlefield Lane former depot site. and has been valued at lower of market value less costs.

	2018/19 £000's	2017/18 £000's
Opening Balance	1,800	0
Assets Newly Classified	0	1,890
Revaluations / (Impairments)		
- Recognised in the Revaluation Reserve	0	0
- Recognised in Provision of Services	0	(90)
Sale of assets	(1,800)	0
Closing Balance	0	1,800

15. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents (split across current assets and current liabilities) is made up as follows:

	2018/19 £'000	2017/18 £'000
Cash held by the Council	(0)	1
Bank Current Accounts	(186)	(371)
Short-term deposits with Building Society/Banks	3,357	5,582
	3,171	5,212

16. Investments

The Council's investments are detailed below:

	2018/19 £'000	2017/18 £'000
Other Short Term Investments (< 1 Year)	16,400	9,800
Long Term Investments (> 1 Year)	0	0
Total Investments	16,400	9,800

NOTES TO THE *Core Financial Statements*

17. Long Term Receivables

	2018/19 £'000	2017/18 £'000
North West Leicestershire District Council	97	104
Hinckley Museum	4	4
Car Loans to Employees	7	30
Salary Sacrifice	3	3
Total Long Term Receivables	111	141

18. Short Term Receivables

	2018/19 £'000	2017/18 £'000
Car Loans to Employees	7	16
Salary Sacrifice	10	12
Rail Season Ticket Loan	1	1
Central Government Bodies	320	780
Other Local Authorities	676	948
Other Public Bodies	0	0
Housing Rent	1,195	996
Sundry Debtors	1,995	1,943
Council Tax, Community Charge and NNDR	3,496	3,026
Prepayments	746	277
Provision for Doubtful Debts	(2,742)	(2,317)
Total Short Term Receivables	5,704	5,682

Details on amortised cost and fair value can be found in Financial Instruments (Note 37)

19. Short Term Payables

	2018/19 £'000	2017/18 £'000
<i>Short Term Payables</i>		
Section 106	1,017	645
Inland Revenue	0	226
Other Local Authorities	2,427	2,021
Deferred Income – Green Bins	202	200
Housing Rents	148	128
Regional Growth Funding	0	0
Sundry Creditors	2,986	2,597
Bus Station – Compulsory Purchase Order	99	99
Central Government Bodies	1,206	1,209
Council Tax and National Non Domestic Rates	3,387	3,223
Total Short Term Payables	11,472	10,348

19. Short and Long Term Payables (*continued*)

	2018/19	2017/18
	£'000	£'000
<i>Long Term Payables</i>		
Section 106	528	1,296
Other Long Term Payables	70	70
Total Long Term Payables	598	1,366
Total Payables	12,070	11,714

20. Short Term Provisions

2018/19

	Capital Cost of Early Retirement Provision	Planning Appeal Provision	Business Rate Appeals Provision	Total
	£'000	£'000	£'000	£'000
Balance at 1st April 2018	13	10	1,185	1,208
Additional provisions arising in the year	0	46	380	426
Amounts used during the year	(4)	(10)	(212)	(226)
At 31st March 2019	9	46	1,353	1,408

The Council creates provisions in order to recognise liabilities of uncertain timing or amount. They are recognised when the Council has a present legal or constructive obligation as a result of past events, where it is more likely than not, that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The Council currently operates three provisions, details of which are set out below:

- Capital Cost of Early Retirement –Where there is a retirement due to reasons other than ill health retirement the Council is required to make a payment to the Pension Fund to cover the value of the strain. Whilst the liability needs to be recognised immediately. This provision represents the unexpended amount of the liability.

20. Short Term Provisions (continued)

- Planning Appeals – Where planning appeal hearings or judicial review dates are known as at the year end and legal advisors deem that costs are likely to be awarded as a result of this process; a provision is made for an estimate of these costs.
- Business Rate Appeals – Under Business Rates Retention, the Council is required to make provisions for refunding ratepayers who have appealed against the rateable value of their property on the rating list and may be successful. This estimate is based on an analysis of the Valuation Office Agency (VOA) listings and is provided by an external advisor. The timing of these appeals is dependent on the VOA. In accordance with Business Rates Retention guidance, 40% of the total provision is attributable to the billing authority with the remainder being allocated to major preceptors and central Government.

21. Other Long term Liabilities

The amount of other long term liabilities shown in the Balance Sheet are made up as follows:

	31st March 2019 £'000	31st March 2018 £'000
Pensions Liability (see note 36)	41,060	33,607
Finance Lease Liabilities (see note 34)	10,136	7,829
Total Long Term Liabilities	51,196	41,436

22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. A further analysis of earmarked reserves are contained within note 7.

23. Unusable Reserves

The Council has a number of reserves which are used for accounting purposes and cannot be used for the provision of services. The balance of these reserves are:

	Balance at 31st March 2019	Movements in Year	Balance at 31st March 2018	Movements in Year	Balance at 31st March 2017
	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(13,451)	(2,014)	(11,437)	(4,115)	(7,322)
Capital Adjustment Account	(123,037)	2,355	(125,392)	(3,086)	(122,306)
Pensions Reserve	41,060	7,453	33,607	(636)	34,243
Accumulated Absences Reserve	111	7	104	(7)	111
Collection Fund Adjustment Account - Council Tax	12	52	(40)	191	(231)
Collection Fund Adjustment Account - NNDR	32	(118)	150	(276)	426
Financial Instruments Adjustment Account	3	(5)	8	(5)	13
Total Unusable Reserves	(95,270)	7,730	(103,000)	(7,934)	(95,066)

NB – figures in brackets represent credit balances

Revaluation Reserve

The Revaluation Reserve contains the gains arising from increase in the value of Property, Plant and Equipment and Intangible Assets. The balance is reduced when asset with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1st April 2007, the date the reserve was created.

	2018/19 £'000	2017/18 £'000
Balance at 1st April	(11,437)	(7,322)
Upward Revaluation of Assets	(5,527)	(5,561)
Adjustment between current value depreciation and historic cost depreciation	2,212	1,355
Accumulated losses reclassified as Asset Held for Sale / written off to the Capital Adjustment Account	1,122	0
Write out of revaluation on disposal; property, plant and equipment	179	92

NOTES TO THE *Core Financial Statements*

Balance at 31st March	(13,451)	(11,437)
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23. Unusable Reserves (continued)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2018/19 £'000	2017/18 £'000
Balance at 1st April	(125,392)	(122,306)
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	4,211	4,246
Revaluation losses / (gains) on Property Plant and Equipment	2,774	131
Revenue Expenditure Funded from Capital under Statute	1,465	989
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,587	2,511
	<hr/> 12,037	<hr/> 7,877
Write out of revaluation on disposal; property, plant and equipment	(1,301)	(92)
	<hr/> 10,736	<hr/> 7,785
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(465)	(830)
Use of the Major Repair Reserve to finance new capital expenditure	(3,000)	(2,850)
Capital grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	(434)	(1,689)
Application of grants to capital financing from the Capital Grants Unapplied Account	(226)	(651)
Statutory provisions for financing of capital investment charged against the General Fund and HRA balances	(1,228)	(1,434)
Capital expenditure charged against the General Fund and HRA balances	(3,028)	(3,416)
	<hr/> 2,355	<hr/> (3,086)

NOTES TO THE *Core Financial Statements*

Balance at 31st March

(123,036)

(125,392)

23. Unusable Reserves (continued)

Pension Fund Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits 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. The arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19	2017/18
	£'000	£'000
Balance at 1st April	33,607	34,243
Actuarial (gains) or losses on pension assets and liabilities	5,231	(2,851)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,617	4,303
Employers pension contribution payable in the year	(2,395)	(2,088)
Balance at 31st March	41,060	33,607

Accumulated Absences Adjustment Account

This account absorbs the differences that would otherwise arise on General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. 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.

	2018/19	2017/18
	£'000	£'000
Balance at 1st April	104	111
Settlement or cancellation of accrual made at the end of the preceding year	(104)	(111)
Amounts accrued at the end of the current year	111	104
Balance at 31st March	111	104

23. Unusable Reserves (continued)

Collection Fund Adjustment Account

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

	2018/19	2017/18
	£'000	£'000
Balance at 1st April	110	195
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	52	191
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	(118)	(276)
Balance at 31st March	44	110

Financial Instrument Adjustment Account

This account absorbs timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and bearing losses or benefiting from gains per statutory provisions.

	2018/19	2017/18
	£'000	£'000
Balance at 1st April	8	13
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(5)	(5)
Balance at 31st March	3	8

24. Cash Flow Statement – Operating Activities

2017/18		2018/19
£'000		£'000
3,988	Net Surplus or (Deficit) on the Provision of Services	(2,069)
	Adjustments for non cash movements:	
4,219	Depreciation & Amortisation	4,210
157	(Revaluation) / Impairment	2,775
2,215	Change in Pension Liability	2,222
(1,930)	Increase / (Decrease) in Payables	342
838	(Increase) / Decrease in Receivables	(56)
5	(Increase) / Decrease in Inventories	(1)
254	Increase / (Decrease) in Provisions	33
5,758	Sub-Total Adjustments for Non-cash Movements	9,525
	Adjustment for items included in the net (deficit) / surplus on the provision of services that are investing and finance activities:	
(826)	Profit upon sale of assets	(540)
(73)	Movement in Collection Fund Payables & Receivables	(319)
331	Movement in Capital Payables	(258)
9,178	Total Cash (inflow)/outflow from operating activities	6,339

The cash flow for operating activities includes the following items:

	2018/19	2017/18
	£'000	£'000
Interest Received (See note 9)	(180)	(84)
Interest Paid (See note 9)	2,949	2,932

NOTES TO THE *Core Financial Statements*

25. Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

	2018/19	2017/18
	£'000	£'000
Purchase of short-term and long-term investments	55,218	38,600
Purchase of property, plant and equipment, investment property and intangible assets	8,763	7,986
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(4,127)	(2,617)
Proceeds from short-term and long-term investments	(48,618)	(32,800)
Other proceeds not in above	(230)	(719)
Net cash flows from investing activities	11,006	10,450

26. Cash Flow Statement – Financing Activities

	2018/19	2017/18
	£'000	£'000
Cash receipts from short and long term borrowing	0	(2,000)
Cash payments for the (increase)/reduction of outstanding liabilities relating to Finance Leases	(2,307)	446
Repayment of short and long term borrowing	0	2,000
Other payments not in above	(319)	(73)
Net cash flows from financing activities	(2,626)	373

NOTES TO THE Core Financial Statements

27. Trading Operations

The Council operated the following trading services in 2018/19 for which outturn income and expenditure was as shown in the table below:

- Markets – the operation of a market in Hinckley Town Centre.
- Industrial Estates – the provision of factory units for rental principally aimed at small businesses.
- Grounds Maintenance DSO – an internal business unit that provides grounds maintenance services to all parts of the Council.
- Housing Repairs DSO – an internal business unit that provides housing repair services to the Borough Council.

	2018/19 Income £'000	2018/19 Expenditure £'000	2018/19 (Surplus)/ Deficit £'000	2017/18 (Surplus)/ Deficit £'000
Markets	(129)	181	52	65
Industrial Estates	(781)	353	(428)	(410)
Grounds Maintenance DSO	(1,070)	1,055	(15)	(48)
Housing Repairs DSO	(1,537)	1,771	234	160
External Painting	(136)	155	19	12
Net Surplus on ordinary activities	(3,653)	3,515	(138)	(221)
Property Revaluation	0	5	5	104
Net (surplus)/deficit reported in Financing and Investment Income and Expenditure (Note 9)	(3,653)	3,520	(133)	(117)

28. Members' Allowances

Total members' allowances paid in 2018/19 were £251,011 (2017/18 - £224,351) and £4,977 were paid for members' expenses (2017/18 – £5,430).

29. External Audit Costs

In 2018/19 Hinckley and Bosworth Borough Council incurred the following fees relating to external audit and inspection:

	2018/19 £'000	2017/18 £'000
External Audit Services	38	49
Certification of Grant Claims and Returns	16	15
Non Audit Works	3	3
Audit Refund	0	(7)
Total Fees Payable	57	60

All non audit work undertaken has been reported to Audit Committee as "those charged with governance".

30. Grant Income

	2018/19	2017/18
	£'000	£'000
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant	437	754
Section 31 Grant	1,289	1,192
New Homes Bonus	2,571	2,800
New Burdens Grant	39	0
Total	4,336	4,746
Credited to Services:		
Disabled Facilities	358	482
Waste and Recycling	75	517
Syrian refugees	2	4
Homelessness	169	102
Housing Benefit Administration	192	208
Benefit Reimbursements	13,270	15,529
Council Tax Admin Grant	101	117
Council tax Support Grant	0	0
Housing Assistance Grant	41	0
Developer Contributions	0	187
Community Safety	32	30
Sports Grants	138	1,204
Play and Open Space	28	42
Elections	14	17
NNDR Cost of Collection	126	127
Revenue & Benefits Server	0	68
Planning Aid DCLG	50	0
Universal Credit	88	78
New Burdens	203	78
Business Rates Retention	0	0
Works in Default	260	73
Other Government Grant	13	21
S31 Income Street Cleaning	20	0
Other	6	10
Total	15,186	18,886
Total Grant Income	19,522	23,632

The council has £24,956 of income held as a capital grants received in advance. Of this, £12,148 relates to private sector housing enforcement, £11,056 relates to a grant from the East Midlands Development Agency and £1,752 relates to waste management. These are yet to be recognised as income.

31. Related Party Transactions

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

Central Government has effective control over the general operations of the Council. It is responsible for providing a statutory framework within which the Council operates and provides the majority of its funding via grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. Housing Benefits).

Leicestershire County Council, the Combined Fire Authority, the Police & Crime for Leicestershire and Parish Councils all issue precepts on the Council which are included in the Collection Fund.

The details of Government Grants received are detailed in note 30. Employer's contributions paid to the Pension Fund are shown in note 36. Receivables and payables to other Local Authorities are detailed in notes 17, 18 and 19.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2018/19 is shown in note 28.

All Members and Senior Officers were required to complete a declaration of interests that included details of any finance-related transactions with the Council. There were no declarations of significance.

32. Capital Expenditure and Capital Financing

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

NOTES TO THE *Core Financial Statements*

32. Capital Expenditure and Capital Financing (continued)

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	106,171	107,379
Capital Investment		
Property Plant and Equipment	8,861	7,552
Intangible Assets	158	103
REFCUS	1,465	989
Total Expenditure in Year	10,484	8,644
Sources of Finance		
Application of Usable Capital Receipts	(465)	(830)
Application of Capital Grants Contributions/Reserves	(6,253)	(6,391)
Capital Financed from Revenue	(1,663)	(2,631)
	(8,381)	(9,852)
Closing Capital Financing Requirement	108,274	106,171
Movement in the Year	(2,103)	1,208
Explanation of Movement in the Year		
Unsupported Financial Assistance	(3,331)	(226)
Minimum Revenue Provision	1,228	1,434
	(2,103)	1,208

33. Officers' Remuneration

The number of employees, not including senior staff disclosed separately below, whose remuneration, in the year, including employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band	2018/19	2017/18
	Number of employees	Number of employees
£50,000 - £54,999	5	3
£55,000 - £59,999	6	5
£60,000 - £64,999	4	3
£65,000 - £69,999	0	1
£70,000 - £74,999	2	1

33. Officers' Remuneration (continued)

The following table sets out in detail the remuneration for Senior Officers whose salary is £50,000 or more per year:

Post holder information (Post title)	Year	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of Office	Benefits in Kind (e.g. Car Allowance)	Total Remuneration Excluding pension contributions	Pension Contribution	Total Remuneration Including pension contributions
		£	£	£	£	£	£	£
Chief Executive (Current)	2017/18	111,100	0	0	0	111,100	22,664	133,764
	2018/19	113,322	0	0	0	113,322	23,118	136,440
Director (Community Services)	2017/18	75,750	0	0	0	75,750	15,453	91,203
	2018/19	77,265	0	0	0	77,265	15,762	93,027
Director (Environment and Planning)	2017/18	75,750	0	0	0	75,750	15,453	91,203
	2018/19	77,265	0	0	0	77,265	15,762	93,027
Director (Corporate Services)	2017/18	75,750	0	0	0	75,750	14,707	90,457
	2018/19	77,265	0	0	0	77,265	14,644	91,909
Head of Finance	2017/18	65,145	0	0	0	65,145	13,290	78,435
	2018/19	66,448	0	0	0	66,448	13,555	80,003

	2017-18	2018-19
Chief Executive	1	1
Directors	3	3
Head of Finance	1	1

NOTES TO THE *Core Financial Statements*

33. Officers' Remuneration (continued)

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

Exit Package Cost Band (Including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
							£	£
£0 - £20,000	0	0	1	3	1	3	8,914	19,082
£20,001 - £40,000	0	0	2	1	2	1	13,608	24,107
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
TOTAL	0	0	3	4	3	4	22,522	43,189

34. Leases

Council as Lessee

Finance Leases

The Council has acquired vehicles and office premises under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	As at 31st March 2019 £'000	As at 31st March 2018 £'000
Other Land and Buildings	6,831	6,831
Vehicles, Plant, Furniture and Equipment	2,965	591
Total Value	9,796	7,422

NOTES TO THE *Core Financial Statements*

34. Leases (continued)

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

	As at 31st March 2019 £'000	As at 31st March 2018 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	478	152
Non Current	9,658	7,677
Finance Costs payable in future years	11,586	11,084
Minimum Lease Payments	21,722	18,913

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000
Within one year	1,057	680	478	152
Between one and five years	4,226	2,431	1,929	377
After five years	16,438	15,802	7,729	7,300
Total	21,721	18,913	10,136	7,829

Operating Leases (As Lessor)

The Council acts as a lessor for industrial and commercial units, rented under operating leases. In addition to this the Council commenced a number of license type leases in 2014/15 for rental of space in the Hinckley Hub. The total rental income from the operating leases in 2018/19 was £1,501,555 (£1,521,585 2017/18).

Lease payments due

	2018/19 £'000	2017/18 £'000
Within 1 Year	1,520	1,520
Between 2 and 5 Years	6,771	6,771
Later than 5 Years	0	0
	8,291	8,291

NOTES TO THE *Core Financial Statements*

35. Impairment Review

During 2018/19, the Council underwent an impairment review through the following means:

- An external review of the market value of assets by the Council's external valuer; and
- Review of assets for obsolescence by the Council's Estates and Asset Manager

As a result of the above, the Council has recognised a net impairment loss of £3,093 million in the Comprehensive Income and Expenditure Statement split as follows:

	2018/19	2017/18
	£'000	£'000
Property Plant and Equipment	3,093	3,727
	3,093	3,727

36. Pensions and Retirement Benefits

Local Authorities are required to recognise the full requirements of International Accounting Standard 19 (IAS 19).

The objectives of IAS 19 are to ensure that:-

- a) Financial statements reflect at fair value assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- b) The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- c) The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

The accounting entries required under IAS 19 have no impact on the Council Tax liability.

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Leicestershire County Council. This is a funded, final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The Council pays contributions to the Leicestershire County Council Pension Fund, which provides its members with defined benefits related to pay and service.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Leicestershire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

NOTES TO THE *Core Financial Statements*

36. Pensions and Retirement Benefits (continued)

Payments to the Pension Fund

It is budgeted that the Council will pay Leicestershire County Council £2.409 million in employer's pension contributions in the year 2019/20.

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Statement of Movement in Reserves during the year:

Income and Expenditure Account	2018/19 £'000	2017/18 £'000
Net Cost of Service		
Current Service Cost	3,672	3,380
Administration Expenses	20	17
	<hr/>	<hr/>
	3,692	3,397
Net Operating Expenditure		
Pension Interest Costs	2,638	2,475
Expected return on Assets	(1,713)	(1,569)
Net Interest Cost	<hr/>	<hr/>
	925	906
Total charged to Comprehensive Income and Expenditure Statement	<hr/>	<hr/>
	4,617	4,303
Statement of Movement on the General Fund Balance		
(Reversal of) Net Charges Made for Retirement Benefits in Accordance with IAS19	(4,617)	(4,303)
Actual Amount Charged Against General Fund Balance for Pensions in Year	<hr/>	<hr/>
	2,308	2,005

NOTES TO THE *Core Financial Statements*

36. Pensions and Retirement Benefits (continued)

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £5.231 million (2017/18 gains of £2.851 million) were included in the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2019 is £29.747 million (£24.516 million to 31st March 2018).

Balance Sheet Recognition	31st March	31st March
	2019	2018
	£'000	£'000
Present value of the defined benefit obligation	109,797	96,821
Fair value of plan assets	(68,737)	(63,214)
Net liability arising from defined benefit obligation	41,060	33,607

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2018/19	2018/19	2017/18	2017/18
	Unfunded	Funded	Unfunded	Funded
	£'000	£'000	£'000	£'000
Fair value of plan assets at 1 April	0	63,214	0	60,254
Interest on plan assets	0	1,713	0	1,569
Remeasurements (assets)	0	3,222	0	1,139
Employer contributions	87	2,308	83	2,005
Member contributions	0	640	0	581
Benefits/transfers paid	(87)	(2,360)	(83)	(2,334)
Fair Value of plan assets as at 31 March	0	68,737	0	63,214

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

	2017/18	2017/18	2017/18	2017/18
	Unfunded	Funded	Unfunded	Funded
	£'000	£'000	£'000	£'000
Benefit obligation at 1 April	1,358	95,463	1,401	93,096
Current service cost	0	3,672	0	3,380
Interest on pension liabilities	0	2,638	0	2,475
Member contributions	0	640	0	581
Remeasurements (liabilities)	124	8,329	40	(1,752)
Benefits/transfers paid	(87)	(2,360)	(83)	(2,334)
Administration expenses	0	20	0	17
Benefit obligation as at 31 March	1,395	108,402	1,358	95,463

NOTES TO THE *Core Financial Statements*

36. Pensions and Retirement Benefits (continued)

Local Government Pension Scheme Assets comprised:

Asset Category	31st March 2019 £'000	31st March 2018 £'000
Cash & Cash Equivalents	1,457	2,630
Equity Instruments		
Other	1,146	1,534
Bonds		
Government	732	5,276
Other	1,115	577
Property		
UK Property	6,696	5,553
Private Equity		
All	3,402	2,248
Other Investment Funds		
Equities	31,765	29,779
Bonds	5,081	7,256
Hedge Funds	0	2,204
Commodities	2,591	1,481
Infrastructure	3,600	2,990
Other	11,152	1,870
Derivatives	0	(184)
Total	68,737	63,214

Scheme History

Scheme History	31st March 2019 £'000	31st March 2018 £'000	31st March 2017 £'000	31st March 2016 £'000	31st March 2015 £'000
Present Value of Scheme Liabilities	(109,797)	(96,821)	(94,497)	(76,483)	(86,974)
Fair Value of Scheme Assets	68,737	63,214	60,254	48,813	48,371
Net (Liability)/ Asset	(41,060)	(33,607)	(34,243)	(27,670)	(38,603)

36. Pensions and Retirement Benefits (continued)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The County Council's fund liabilities have been assessed by the actuaries Hymans Robertson. The principal assumptions used by the actuary have been:

Assumptions as at :	31st March 2019 Per Annum	31st March 2018 Per Annum
Pension Increase Rate	2.40%	2.40%
Rate of Increase in Salaries	3.40%	3.40%
Rate for Discounting Scheme Liabilities	2.70%	2.70%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting year. It 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 practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous year.

Changes in assumptions at 31 March 2019	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.5% decrease in Real Discount Rate	11%	9,945
0.5% increase in the Salary Increase Rate	2%	1,527
0.5% increase in the Pension Increase Rate	9%	8,274

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next few years. The contribution rate is determined by the County Fund's Actuary based on a triennial actuarial valuation. A full valuation was carried out as at 31st March 2019. A roll forward valuation is performed by the actuary in the years between full valuations.

The scheme takes into account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2015 (or service after 31 March 2016 for other main existing public service pension schemes in England & Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

NOTES TO THE *Core Financial Statements*

37. Financial Instruments

Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Non-Current		Current	
	31 st March 2019 £'000	31 st March 2018 £'000	31 st March 2019 £'000	31 st March 2018 £'000
Borrowings				
Financial liabilities	75,952	75,952	0	0
Accrued Interest	0	0	75	81
Financial liabilities at amortised cost (1)	75,952	75,952	75	81
Total included in borrowings	75,952	75,952	75	81
Other Long term Liabilities				
Finance lease liabilities	9,658	7,677	478	152
Total other long term liabilities	9,658	7,677	478	152
Payables				
Financial liabilities at amortised cost (1)	598	1,366	8,085	7,125
Total payables	598	1,366	8,085	7,125
Investments				
Loans and receivables (principal amount)	0	0	16,400	9,800
+ Accrued interest	0	0	51	24
Loans and receivables at amortised cost (1)	0	0	16,451	9,824
Total investments	0	0	16,451	9,824
Receivables				
Loans and receivables	111	141	1,462	2,378
Total receivables	111	141	1,462	2,378

NOTES TO THE *Core Financial Statements*

37. Financial Instruments (continued)

Financial Assets

	Non-Current				Current				Total 31st March 2019 £'000
	Investments		Debtors		Investments		Debtors		
	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	
Fair value through Profit and Loss	0	0	141	111	0	0	2,378	1,462	1,573
Amortised Cost	0	0	0	0	9,800	16,400	0	0	16,400
Total Financial Assets	0	0	141	111	9,800	16,400	2,378	1,462	17,973
Non-Financial Assets	0	0	0	0	0	0	3,304	4,242	35,946
Total	0	0	141	111	9,800	16,400	5,682	5,704	70,319

Financial Liabilities

	Non-Current				Current				Total 31st March 2019 £'000
	Borrowings		Creditors		Borrowings		Creditors		
	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	
Fair value through Profit and Loss	0	0	0	0	0	0	(7,125)	(8,085)	(8,085)
Amortised Cost	(75,952)	(75,952)	0	0	(152)	(478)	0	0	(76,430)
Total Financial Assets	(75,952)	(75,952)	0	0	(152)	(478)	(7,125)	(8,085)	(84,515)
Non-Financial Assets	0	0	0	0	0	0	(4,579)	(3,387)	(169,030)
Total	(75,952)	(75,952)	0	0	(152)	(478)	(11,704)	(11,472)	(329,975)

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

All financial assets held as loans and receivables in 2017/18 have been reclassified to amortised cost in 2018/19 under IFRS 9. There has been no adjustment to the carrying values.

37. Financial Instruments (continued)

Financial instruments Gains/Losses

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

2018/19	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest Expense	2,949	0	2,949
Interest Income	0	(180)	(180)
Net (gain)/loss for the year	2,949	(180)	2,769

2017/18	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest Expense	2,932	0	2,932
Interest Income	0	(84)	(84)
Net loss/(gain) for the year	2,932	(84)	2,848

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). 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:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

NOTES TO THE *Core Financial Statements*

37. Financial Instruments (continued)

The fair values calculated are as follows:

Financial Liabilities

	31st March 2019		31st March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	75,952	86,688	75,952	84,840
Short term creditors	8,085	8,085	7,125	7,125
Short term finance lease liability	478	478	152	152
Long term creditors	598	598	1,366	1,366
Long term finance lease liability	9,658	9,658	7,677	7,677
Total Liabilities	94,771	105,507	92,272	101,160

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the [additional/reduced] interest that the authority will pay as a result of its PWLB commitments for fixed rate loans, is to compare the terms of these loans with the new borrowing rates available from the PWLB.

	31st March 2019		31st March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Short term investments	16,400	16,400	9,800	9,822
Short term debtors	1,462	1,462	2,378	2,378
Long term debtors	111	111	141	141
Total Assets	17,973	17,973	12,319	12,341

37. Financial Instruments (continued)

Disclosure of nature and extent of risk arising from Financial Instruments

Key risks

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

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Re-financing risk and maturity risk** - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and 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 Strategy and treasury management clauses within its financial regulations/standing orders/constitution.
- 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 fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt; and
 - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting Budget or before the start of the year to which they relate. 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 after each year, as is a mid-year update.

37. Financial Instruments (continued)

The annual Treasury Management Strategy for 2018/19 to 2021/22 which incorporates the Prudential Indicators was approved by Council on 21 February 2019 and is available on the Council website. The key points within the Strategy were:

- The Authorised Limit for 2018/19 was set at £109,747 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £105,461 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £106,152 million and £18,281 million based on the Council's net debt.

These policies are implemented by the Section 151 Officer and the Finance Section. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed annually and approved by Council as part of the budget process.

Credit risk

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

This risk is minimised through the Annual Investment Strategy element of the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- Guaranteed Banks with suitable sovereign support;
- Building societies which meet the required credit ratings and hold assets in excess of £500m.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £5million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of inability to recover applies to all of the Council's deposits, but there was no evidence at the 31st March 2019 that this was likely to crystallise.

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

37. Financial Instruments (continued)

The Council does not generally allow credit for its customers, such that the majority of the general debtor balance is within its due date for payment. The past due amount can be analysed by age as follows:

	General Receivables 31st March 2019 £000's	General Receivables 31st March 2018 £000's
<3 months	1,068	920
3 to 6 months	51	276
6 months to 1 year	16	64
>1year	288	730
	1,423	1,990

Collateral – During the reporting year the Council held no collateral as security.

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 Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. 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 it will be unable to raise finance to meet its commitments under financial instruments.

Council deposits of £3.357m in money market accounts at 31st March 2019 were being held for a period of 3 months or less and therefore have been classified as cash and cash equivalents in line with the Code.

Refinancing and Maturity risk

The Council maintains a debt and 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. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

There are no expected credit losses (ECL) apart from on sundry debtors and rents. These ECL are non-material.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

NOTES TO THE *Core Financial Statements*

37. Financial Instruments (continued)

This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.
- Monitoring 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 provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rate borrowings maturing in each year:

Maturity Analysis	Approved minimum limits	Approved maximum limits	Actual 31st March 2019 £'000	Actual 31st March 2018 £'000
Less than 1 year	0%	100%	2,941	0
Between 1 and 2 years	0%	100%	2,941	2,941
Between 2 and 5 years	0%	100%	8,824	8,824
Between 5 and 10 years	0%	100%	11,766	14,707
More than 10 years	0%	100%	49,480	49,480
Total	0%	100%	75,952	75,952

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

37. Financial Instruments (continued)

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's Prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The finance team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. If all interest rates had been 1% higher or lower (with all other variables held constant) the financial effect would be nil as all the Council's borrowing and investments are fixed rate.

38. Contingent Liabilities

Pension Liabilities

A ruling has been made regarding age discrimination arising from public sector pension transition arrangements. Court of Appeal judgements (e.g. McCloud) may impact on the pension scheme. The final situation and potential cost to the pension scheme is currently not clear or quantifiable.

Business Rates

It is likely that appeals may be lodged in relation to the charitable trust status by NHS trusts against current valuations. It is not possible to reliably quantify this potential liability.

39. Contingent Asset

VAT on Postage Costs

The Council has submitted a claim to the High Court and HMRC to reclaim VAT on postage costs incurred. Both claims were made via a third party in 2014/15 but it is not known when these will be heard or concluded. The total value of both claims is £443,021 plus interest.

40. Revenues and Benefits Partnership

The Council has entered into a partnership with North West Leicestershire and Harborough District Councils to provide shared administration of revenues and benefits. The partners have an agreement in place for funding these services which has been running since 6 April 2011. The Partnership is currently hosted by Hinckley and Bosworth Borough Council on behalf of the other partners.

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by Hinckley and Bosworth Borough Council in 2018/19 was £1.341 million (2017/18 £1.268 million).

Each partner provides equipment and software for the operation of the Partnership. These remain the property of the partners. Those assets used by the Council for the Partnership are included in the Balance Sheet and treated in line with the relevant accounting policies.

ADDITIONAL *financial* STATEMENTS

THE *Housing Revenue* Statement

THE *Collection Fund*

ADDITIONAL *financial* STATEMENTS

Housing Revenue Account 2018/19

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing the landlord's housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The difference between the accounting cost and the funding cost is adjusted in the Movement on the Housing Revenue Account Statement.

ADDITIONAL *financial* STATEMENTS

Housing Revenue Statement 2018/19

2017/18 £'000		2018/19 £'000
	Income	
(12,829)	Dwelling Rents (gross)	(12,670)
(89)	Non-dwelling Rents (gross)	(83)
(596)	Charges for Services and Facilities	(621)
(160)	Contribution Towards Expenditure	(154)
(13,674)	Total Income	(13,528)
	Expenditure	
2,676	Repairs and Maintenance	2,787
3,362	Supervision and Management	3,366
212	Rents, Rates, Taxes and other charges	303
2,630	Depreciation and impairments of fixed assets	2,696
(868)	Gain on Revaluation	1,618
5	Debt Management Costs	3
215	Contribution to the Bad Debt Provision	163
8,232	Total Expenditure	10,936
(5,442)	Net Cost of HRA Services per authority Comprehensive Income & Expenditure Account	(2,592)
2,088	Interest payable and similar charges	2,088
(30)	Interest and investment income	(100)
(107)	Gain or loss on sale of HRA non-current assets	(312)
(3,491)	(Surplus) or deficit for the year on HRA services	(916)
	Items included in the HRA I&E but excluded from the Movement on the HRA Balance for the year	
(565)	Net charges made for retirement benefits in accordance with IAS 19	(608)
107	Gain or (loss) on sale of HRA fixed assets	312
	Items not included in the HRA I&E but included from the Movement on the HRA Balance for the year	
868	Gain/loss on Revaluation	(1,618)
3,041	Transfer from Major Repairs Reserve	3,009
(2,630)	Depreciation of Non-Current Assets	(2,696)
(114)	Transfer to/from Housing Repairs Account	(39)
333	Employers Contributions to the Leicestershire County Council pension scheme & retirement benefits	380
2,579	Contribution to/(from) Reserves	2,120
13	Contribution to/(from) Capital Financing	0
0	Movements regarding employee benefits accruals	(1)
3,633	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	859
141	(Surplus)/Deficit for the Year	(57)
(869)	Balance Brought Forward 1st April	(728)
(728)	Balance Carried forward 31st March	(785)

ADDITIONAL *financial* STATEMENTS

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the billing Authority. The accounts of the fund have been prepared on an accruals basis.

2017/18		2018/19
£'000		£'000
	INCOME	
(60,433)	Income from Council Tax	(64,775)
(31,176)	Income Collectable from Business Ratepayers	(32,472)
(91,609)	Total Income	(97,247)
	EXPENDITURE	
	Precepts and Demands from County, District,	
59,568	Fire and Police Authorities	64,273
31,119	Payments under Business Rates Retention	32,363

ADDITIONAL *financial* STATEMENTS

127	Costs of Collection	126
	<u>Bad and Doubtful Debts/Appeals</u>	
457	- Write Offs	254
(27)	Provisions	505
	<u>Contributions:</u>	
1,464	Distribution of Previous Yr's Estimated Balance	(88)
92,708	Total Expenditure	97,433
1,099	Movement on Fund Balance	186
(1,095)	Opening Fund Balance 1st April	4
4	Closing Fund Balance 31st March	190

NOTES TO THE ADDITIONAL *financial* STATEMENTS

1. Housing Repairs Account

2017/18 £000's		2018/19 £000's
	Income	
(3,193)	Contribution from HRA	(3,196)
0	Miscellaneous Income	0
(3,193)	Total Income	(3,196)
	Expenditure	
386	Employee costs	403
1	Premises related costs	2
2	Transport related costs	10
212	Supplies and services costs	242
242	Central support costs	289
843		946
633	Programmed repairs	704
1,231	Responsive repairs	1,173
2,707	Total Expenditure	2,823
(486)	Net Cost of Service	(373)
(49)	IAS 19 Pension Adjustment	(49)
650	Contribution to reserves	460
114	Deficit/(Surplus) for the year	38
(441)	Balance brought forward 1st April	(327)
(327)	Balance carried forward 31st March	(289)

2. Movement in Dwelling Stock

The Council was responsible for managing a housing stock of 3,290 dwellings at 31st March 2019. During the year the following movement took place:

	2018/19 Number	2017/18 Number
Sales (Right to Buy)	(26)	(41)
Additions	9	36
Total Movement	(17)	(5)

NOTES TO THE ADDITIONAL *financial* STATEMENTS

3. Property Types in Dwelling Stock

The types of properties owned by the Council at 31st March comprise the following:-

	2,019	2018
	Number	Number
1 bedroom bungalows	188	277
1 bedroom houses	96	2
1 bedroom flats	631	632
2 bedroom bungalows	405	416
2 bedroom houses	319	308
2 bedroom flats	413	412
3 bedroom bungalows	7	11
3 bedroom houses	1,211	1,229
3 bedroom flats	1	1
4 bedroom bungalows	1	1
4 bedroom houses	16	16
5 bedroom houses	2	2
Total Dwellings	3,290	3,307

The 1 bedroom flats total, shown above, includes 14 units that are the dwelling equivalent of the flexible hostel places.

4. Balance Sheet Value of Council's HRA Assets

	2018/19	2017/18
	£'000	£'000
Operational Assets		
- Council Dwellings	176,440	176,833
- Other land and buildings	756	841
Total Assets	177,196	177,674

The vacant possession value of dwellings within the Council's HRA was £404.75 million. The vacant possession value and Balance Sheet value of dwellings within the HRA, show the economic cost to Government of providing Council housing at less than open market rents.

5. Rent Income

Rent Income can be analysed as follows: -

	2018/19	2017/18
	£'000	£'000
Collectable from Tenants	(7,300)	(6,651)
Rent Rebates	(5,370)	(6,178)
Dwelling Rents	(12,670)	(12,829)
Non-dwelling Rents (Shops etc)	(83)	(89)
Total Rent	(12,753)	(12,918)

NOTES TO THE ADDITIONAL *financial* STATEMENTS

6. Rent Arrears

	2018/19 £'000	2017/18 £'000
Rent Arrears	1,195	996
Bad Debt Provision	976	828
Bad Debts Written Off	14	11

7. Major Repairs Reserve

	2018/19 £'000	2017/18 £'000
Balance at 1st April	(599)	(408)
Amounts transferred to Reserve during the year	(3,009)	(3,041)
Capital Expenditure	3,000	2,850
Balance at 31st March	(608)	(599)

The use of the Major Repairs Reserve to finance HRA capital expenditure relates entirely to enhancement of dwellings.

8. Capital Expenditure and Receipts

Total HRA capital expenditure of £5.283 million (£6.616 million 2017/18) was incurred. Expenditure on Dwellings was £5.186 million (£6.587 million in 2017/18), and expenditure on Vehicles Plant and Equipment was £0.097 million. (£0.029 million in 2017/18). The sources of funding are shown below:

	2018/19 £'000	2017/18 £'000
Capital receipts	169	350
Other Contributions from Reserves	2,115	3,416
Major Repairs Reserve	3,000	2,850
Total Financing	5,284	6,616

Total capital receipts from HRA disposals during the financial year are shown below:

	2018/19 £'000	2017/18 £'000
Right to Buy Dwellings	1,787	2,511
Council House Mortgage Repayments	0	0
Total from Disposals	1,787	2,511

NOTES TO THE ADDITIONAL *financial* STATEMENTS

9. Depreciation/ Impairment

The total charge for depreciation and impairment for the land, houses and other property within the Council's HRA during the financial year is as follows:-

	2018/19	2017/18
	£'000	£'000
Operational assets		
- Dwellings and garages	2,653	2,559
- Other land and buildings	0	23
- Vehicles, Plant and Equipment	43	48
Total Depreciation	2,696	2,630

10. HRA Share of Contribution to or From the Pension Reserve

To comply with IAS 19, the current service costs for the HRA are calculated separately and incorporated into Supervision and Management and Repairs and Maintenance costs shown. In order that there is no net cost to the HRA, these entries are reversed by the net effect of the following items:

1. Net charges made for retirement benefits in accordance with IAS 19 amounted to £608,000 in 2018/19 (£565,000 in 2017/18).
 2. Employer's contributions to the Leicestershire County Council pension fund and retirement benefits payable direct to pensioners. This amounted to £380,000 in 2018/19 (£333,000 in 2017/18).
-

11. Non-Domestic Rateable Value

	2019	2018
	£'000	£'000
Value at 31st March	84,988	85,197

12. National Non-Domestic Rates Multiplier

	2018/19	2017/18
National Non-Domestic Rates multiplier	49.3p	47.9p
Small Business Multiplier	48.0p	46.6p

NOTES TO THE ADDITIONAL *financial* STATEMENTS

13. Council Tax Base

Number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings.

Band	2018/19	2017/18
A	3,849	3,757
B	9,729	9,536
C	8,464	8,341
D	6,610	6,517
E	4,841	4,705
F	2,949	2,855
G	1,564	1,538
H	112	113
Council Tax Base*	38,118	37,362

* In accordance with relevant regulations, the Council Tax base for the council is rounded to one decimal point. The total taxbase for 2018/19 was approved on 14th December 2017.

14. Significant Precepting Authorities

	2018/19	2017/18
	£'000	£'000
Leicestershire County Council	47,366	43,803
Leicestershire Police & Crime Commissioner	7,594	6,995
Leicester, Leicestershire and Rutland Combined Fire Authority	2,467	2,348
Hinckley and Bosworth Borough Council	6,846	6,422
Total	64,273	59,568

15. Fund Balances

The balance on the Fund is comprised as follows:

	31st March	31st March
	2019	2018
	£'000	£'000
A Deficit/(surplus) on Council Tax/ NNDR Collection.	190	4

This will be distributed to the Borough Council, the County Council, the Fire and the Police Authorities in subsequent years in proportion to their demands and precepts on the Fund.

STATEMENT OF *accounting* POLICIES

General Principles

The Statement of Accounts (the Statements) summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations (2011) which require the Statements to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Council Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19 (SeRCOP), supported by International Financial Reporting Standards (IFRS). It also complies with guidance notes issued by CIPFA on the application of accounting standards to Local Council accounts.

The relevant accounting policies adopted have been reviewed to ensure that the Statement of Accounts can be relied upon to give a true and fair view of the Council's financial performance and position. They also ensure that all legislative requirements have been correctly applied and that finally, the Statements have been prepared on a going concern basis. That is, the Council will continue in operational existence for the foreseeable future.

The principal accounting policies outlined have been applied consistently throughout the 2018/19 financial year.

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

The Statement of Accounts has been prepared with reference to the following qualitative characteristics:

- Understandability
- Relevance
- Materiality
- Reliability
- Comparability

Significant changes in accounting policies

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting 2018/19. The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

Revenue Recognition

Revenue represents the amount receivable in respect of services provided to customers. Revenue from services is recognised as the services are provided and is only recognised when payment is probable. Revenue excludes value added tax, similar sales taxes and discounts.

Recognition of Revenues-Council Tax and Non-Domestic Rates

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors. The amount credited to the General Fund under statute is a Council's precept or demand for the year, plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

STATEMENT OF *accounting* POLICIES

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a receivables or payables balance as appropriate.

Accounting for Non-Domestic Rates (NDR)

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NDR for the year from the National Non Domestic Rates NNDR 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from NDR payers belongs proportionately to all the major preceptors and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a relievable or payable balance as appropriate.

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2019.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Value Added Tax (VAT)

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

STATEMENT OF *accounting* POLICIES

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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.
- 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 on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the Balance Sheet. Expenditure is accrued where goods or services have been received before 31st March but the invoice relating to the goods and services is paid after 31st March. Income is accrued where income is due but an invoice has not been raised or payment has not been received.
- Provision is made for bad debts by identifying a proportion of the Council's receivables that should have their carrying value adjusted to the probable recoverable amount. Past experience and practice is used within material limits to judge the percentages of each type of debt that will eventually not be recovered.

Exceptions are made in respect of electricity and similar utility quarterly payments, which are charged at the date of the meter reading rather than being apportioned between financial years. In addition homelessness prevention bonds are treated on a cash basis. These policies are consistently applied each year and, therefore, do not have a material effect on the Statements.

STATEMENT OF *accounting* POLICIES

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and other contributions and donations are recognised as due when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The funding 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 payables. When conditions are satisfied, the grant or contribution is credited to the relevant service line. General grants are credited to the Comprehensive Income and Expenditure Account and shown after Net Operating Expenditure.

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

Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute (REFCUS) results from expenditure of a capital nature where no asset is created for the Council. They include improvement grants or advances to other individuals or organisations for the purpose that would have been capital if incurred by the Council.

REFCUS also includes exceptional revenue expenditure for which a capitalisation direction has been granted to allow this expenditure to be funded from capital.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account is taken through the Movement in Reserves Statement so there is no impact on the level of Council Tax.

Charges to Revenue for Non-current Assets

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

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

STATEMENT OF *accounting* POLICIES

These charges are reversed from the Comprehensive Income and Expenditure Statement through the Movement in Reserves Statement to the Capital Adjustment Account so that they do not create a requirement to raise additional Council Tax. However, the Council is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation, impairment losses and amortisation are therefore replaced by revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Fair Value Measurement

The Council measures some of its non-financial assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The 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 Council 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 assets in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

Property, Plant and Equipment – Recognition and Impairment

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

STATEMENT OF *accounting* POLICIES

Recognition

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure on property, plant and equipment is capitalised, provided that the asset yields benefits to the Council and the services it provides, for a period of more than one year.

Assets are 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 the site on which it is located

The Council has a general de-Minimis limit of £5,000 for capital expenditure purposes. One single item which results in the capitalisation of expenditure above that limit is recognised as an asset in the Balance Sheet. Items below this limit are charged to revenue.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where a component is replaced or restored (i.e. enhancements), the carrying amount of the old component shall be 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

Assets are valued on the basis recommended by CIPFA and in accordance with the statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). Non current assets are then carried in the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Sturgis Snow and Astill, Chartered Surveyors, undertook a full valuation as at 31st March 2014. For March 2018 a desktop valuation was carried out by Wilks Head and Eve LLP.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

STATEMENT OF *accounting* POLICIES

Property, Plant and Equipment – Depreciation, Impairment and Disposal

Depreciation

Depreciation is provided for all property, plant and equipment except for freehold land and assets under construction. Depreciation is provided for on other assets with a determinable finite life by allocating the value of asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is calculated over the expected life of each asset.

Depreciation is provided in accordance with the following policies:

- Operational buildings, vehicles, plant and equipment, and infrastructure assets are depreciated.
- No depreciation provision is made for land or investment properties.
- Newly acquired assets and enhancements are depreciated from the following year, although assets in the course of construction are not depreciated until they are brought into use.
- Depreciation is calculated using the straight line method.

As part of the annual revaluation exercise, the valuer provides estimated residual lives for all dwellings, which is used to calculate the depreciation charge for the financial year. This method reflects the average range of expected life per dwelling of between 40-60 years. For 2018/19 the estimated residual life used was 46 years. Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Impairment

Assets are assessed at each year-end by the Estates and Assets Manager as to whether there is any indication that an asset may be impaired.

Where impairment losses are identified as part of this review or as a result of a valuation exercise, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- 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. This policy is applied correspondingly when an impairment is required to be reversed

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

Disposal

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet and the receipt from disposal are written off to the Comprehensive Income and Expenditure Statement as part of the loss or gain on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income from the disposal of Property, Plant and Equipment is accounted for on an accruals basis and the unapplied balance is included in the Balance Sheet as Useable Capital Receipts.

STATEMENT OF *accounting* POLICIES

For the purposes of the capital expenditure controls, the Council will set aside capital receipts for future capital spend or set aside to reduce the Council's need to borrow. Almost all capital receipts can therefore be used to finance borrowing, with the following exceptions:

- Receipts in relation to assets purchased using grants from Central Government and its agencies, where the receipt must first be used to repay grant in line with any funding agreement.
- Proportion of housing receipts required for Government pooling.

The Local Government Act (2003) introduced pooling arrangements from disposal of housing land (which includes any land, house or other building). The pooling arrangements are:

- Dwellings sold under Right to Buy (RTB) - Based on the 2012 amendments to The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146)
- Other HRA assets (e.g. Bare land, shops) - 50% of receipt pooled unless used for regeneration or social housing.

Assets under Construction

Asset under Construction are recognised only when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably. Assets under Construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under Construction are not depreciated until they are brought into use under the relevant sections of property plant and equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have a physical substance but are controlled by the Council as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. The depreciable amount of intangible assets are amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any impairment losses and disposal profits or losses are treated in the same way as Property Plant and Equipment.

Heritage Assets

Heritage assets are defined as those tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities and are held for their contribution to knowledge and culture.

Heritage assets are recognised where they meet this criteria and are valued in excess of the de-Minimis threshold of £121k. Heritage assets are measured in the Balance Sheet at valuation which is based on replacement value or insurance value, where the former cannot be established. An impairment review will be carried out each year to assess any physical deterioration of the assets. All heritage assets held by the Council are deemed to have indefinite lives and therefore are not depreciated. Any disposal of assets will be treated in the same manner as other Property, Plant and Equipment.

STATEMENT OF *accounting* POLICIES

Assets Held for Sale

When the value of non-current assets is expected to be recovered principally through sale rather than through continuing usage, they are classified as non-current assets held for sale. In these cases, the assets are actively marketed at 31st March and their sale is probable in the following year. With the exception of assets arising from employee benefits and financial instruments, these assets are classified as current and are stated at the lower of their carrying amount and current value less costs to sell.

Measurement differences arising between the carrying amount and current value less cost of disposal are treated as impairment charges and are separately disclosed.

Leases

The Authority as Lessee:

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its current value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and a finance charge debited to the Financing, and
- Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (where applicable – may not be a finance charge e.g. leases in regard to land).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

STATEMENT OF *accounting* POLICIES

The Authority as Lessor:

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority 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 Cost of Services 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 same basis as rental income. Initial direct costs incurred in negotiating and arranging the lease, along with any incentive payments, are charged as an expense over the lease term on the same basis as rental income.

STATEMENT OF *accounting* POLICIES

Provisions

Provisions are made when an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement 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 that 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.

Reserves

The Council may establish reserves to allow specific future objectives to be financed. It also retains general balances to allow for contingencies.

Reserves are created by appropriating amounts in the Comprehensive Income and Expenditure Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund 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 and employment benefits. These are classified as unusable reserves and are explained in the relevant policies.

Related Party Transactions

The Council discloses transactions with related parties – bodies or individuals that have the potential to “control” or “influence” the Council or to be “controlled” or “influenced” by the Council. These relationships, in year transactions and outstanding balances are disclosed within a narrative note to the Statements.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the asset being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf and the income that it earns from the venture.

STATEMENT OF *accounting* POLICIES

Employee Benefits – Benefits Payable During Employment

Short-term employee benefits (those that fall wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits such as car loans for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against the service in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and flexi-time earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that the holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Employee Benefits – 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. Amounts are charged on an accruals basis to the relevant service(s) in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

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 Fund Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end.

Employee Benefits – Post-employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS) administered by Leicestershire County Council. The LGPS provides defined benefits to members (retirement lump sums and pensions) earned as employees when working for the Council.

The liabilities of the LGPS pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate set by the actuary.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

STATEMENT OF *accounting* POLICIES

The charge in the net pension liability is analysed into service costs comprising of:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Remeasurements of the scheme are split between:

- Remeasurement return on plan assets – excluding amounts included in the net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Remeasurement actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – 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 there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measure the beneficial impact to the General Fund required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Employee Benefits – Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimate 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 LGPS.

Accounting for Precept and NNDR

The Code requires that precepts and NNDR are accounted for on an agency basis. This means that only the proportion of outstanding or prepaid Council Tax and NNDR relating to this Council is accounted for in the main financial statements. Other amounts outstanding are reported in the financial statements of the “owning” body.

STATEMENT OF *accounting* POLICIES

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of the instrument. Financial liabilities are initially measured at fair value and are carried at amortised cost. Where applicable (i.e. for loans) annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable based on the interest rate of the liability. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and the interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are recognised in the Balance Sheet when the Council becomes a party to the contractual provision of the instrument. Financial assets are initially measured at fair value and then are subsequently measured at their amortised cost. Where applicable (i.e. for investments) annual credits are included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable based on the interest rate of the investment. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest); and the interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year according to the loan agreement.

The Council has made a number of loans to organisations and individuals at less than the market rate (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective interest rate of interest. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, which provide evidence of conditions that existed at the end of the reporting but occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

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

Glossary of Terms

Term	Definition
Accounting Policies	Principles, bases, rules and practices applied in the preparation of the financial statements.
Accruals	The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.
Actuarial Gains and Losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because <ul style="list-style-type: none"> a) events have not coincided with the actuarial assumptions made at the last valuation (experience gains or losses) or b) the actuarial assumptions have changed.
Capital Charge	A charge to revenue accounts to reflect the cost of Non Current Assets used in the provision of services.
Capital expenditure	Expenditure on the acquisition of Non Current Assets or expenditure which adds to and not merely maintains the value of an existing asset.
Capital Receipt	Money the Council receives from the sales of assets (buildings, land etc).
CCAB	Consultative Committee for Accountancy Bodies.
CIPFA	Chartered Institute of Public Finance and Accountancy, the principal accountancy body dealing with local government finance.
Community Assets	Land held permanently for the benefit of Borough residents.
Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Corporate and Democratic Core	Activities of the Council due to being an elected, multi purpose body. The cost of these activities is over and above those that would be incurred by a series of independent, single purpose nominated bodies managing the same activities. There is no logical basis for apportioning these costs to services.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Defined Benefits Scheme	A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investment of the scheme. The scheme may be funded or unfunded (including notionally funded).
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful life of Property, Plant and Equipment assets whether arising from use, passage of time or obsolescence through technology or other changes.
Discretionary Benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers such as the Local Government Discretionary Payments Regulations 2000.
Expenditure and Funding Analysis	This is a reconciliation between management reporting segments and the CIES surplus and defect on the provision of services. The statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practises with statutory defined charges to the General fund and HRA.
Expected Rate of Return on Pensions Assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Current value	The fair value of an asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.
Finance Lease	A lease that substantially transfers all of the risks and rewards of ownership of an asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment amounts to substantially all of the current value of the leased asset.
Non Current Assets	Property, plant and equipment assets that yield benefits to the local Authority and the services it provides for a period of more than one year.
General Fund	The Council's main revenue account covering the net cost of all services other than Council housing.

<p>Going Concern</p>	<p>The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and the Balance Sheet assume no intention to curtail significantly the scale of operations.</p>
<p>Impairment</p>	<p>The reduction in the valuation of a Property, Plant and Equipment asset or goodwill below its Balance Sheet value and occurs when something adverse has happened to either the asset itself or to the economic environment in which the asset is operated.</p>
<p>Infrastructure Assets</p>	<p>Non Current Assets that are inalienable expenditure on which is recoverable only by continued use of assets created. Examples of infrastructure assets are Highways and Footpaths.</p>
<p>Interest Cost (Pensions)</p>	<p>For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.</p>
<p>Inventories</p>	<p>Comprise the following categories:-</p> <ul style="list-style-type: none"> i) goods or other assets purchased for resale; ii) consumable stores; iii) raw materials and components purchased for incorporation into products for sale; iv) products and services in intermediate stages of completion; v) contract balances; vi) finished goods.
<p>Investments (Non Pensions Fund)</p>	<p>A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should only be classed as such 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.</p> <p>Investments, other than those in relation to pension's funds, which do not meet the above criteria, are classified as current assets.</p>
<p>Investments (Pensions Fund)</p>	<p>The investments of the Pensions Fund will be accounted for in the Statements of the administering Authority, which is Leicestershire County Council. District Councils are required to disclose as part of the requirements relating to retirement benefits the attributable share of Pensions Scheme assets associated with their underlying obligations.</p>

Glossary of Terms

<p>Investment Properties</p>	<p>Interest in land and/or buildings:-</p> <ul style="list-style-type: none"> a) in respect of which construction work and development has been completed; and b) which is held for its investment potential, any rental income being negotiated at arm's length.
<p>Major Repairs Reserve</p>	<p>A reserve created to deal with major capital repairs to HRA properties financed from the Major Repairs Allowance.</p>
<p>Minimum Revenue Provision (MRP)</p>	<p>Minimum Revenue Provision is the minimum amount the Council is required to provide for the repayment of long-term debt used to finance the acquisition of Non Current Assets.</p>
<p>Movement in Reserves Statement (MIRS)</p>	<p>The MIRS shows the movement in the year on the various reserves held by the Council. Reserves are classified into usable and unusable reserves. Usable Reserves are those that can be used to cover expenditure or reduce the level of local taxation required. They include the general fund, earmarked reserves and the capital receipts reserve. Unusable reserves tend to arise due to difference in the legal responsibilities that cover how transactions need to be accounted for and accounting requirements. These reserves cannot be used to cover expenditure, and include the pensions reserve, the revaluation reserve and the capital adjustment account.</p>
<p>National Non-Domestic Rates (NNDR)</p>	<p>National Non-Domestic Rates (Business Rates) represents the rate of taxation on business properties. Central Government has the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax.</p>
<p>Net Book Value</p>	<p>The amount at which Non Current Assets are included in the Balance Sheet i.e. their historic cost or current value less the cumulative amounts provided for depreciation.</p>
<p>Net Current Replacement Cost</p>	<p>The cost of replacing or recreating the particular asset in its existing condition and existing use i.e. the cost of its replacement or the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.</p>
<p>Net Realisable value</p>	<p>The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses incurred in realising the asset.</p>
<p>Non-Distributed Costs</p>	<p>These are overheads for which no user benefits and therefore should not be apportioned to services.</p>

Glossary of Terms

Non-Operational Assets	Non Current Assets that are held by a Local Authority but not directly occupied, used or consumed in the delivery of services. Examples would be investment properties and assets surplus to requirements, pending sale or redevelopment.
Operating Leases	A lease other than a finance lease.
Operational Assets	Non Current Assets that are held and occupied used or consumed by the Local Authority in the direct delivery of services for which it has a statutory or discretionary responsibility.
Past Service Cost	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of or improvement to retirement benefits.
Post Balance Sheet Events	Those events, both favourable and 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	A demand by one public body to another public body to collect revenue from a Council Tax payer.
Projected Unit Method	<p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:-</p> <ul style="list-style-type: none"> i) the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; <p>and</p> <ul style="list-style-type: none"> ii) The accrued benefits for members in service on the valuation date. The accrued benefits are benefits up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note 27 issued by the Faculty and Institute of Actuaries.
Prudence	The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.
Reserve	Monies set aside for a scheme or event that may happen.
Retirement Benefits	All forms of consideration given by an employer in

Glossary of Terms

	<p>exchange for services rendered by an employee that are payable after the completion of employment. Retirement benefits do not include termination payments payable as a result of either;</p> <ul style="list-style-type: none"> i) An employer's decision to terminate an employee's employment before normal retirement date <p>Or</p> <ul style="list-style-type: none"> ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
<p>Revenue expenditure</p>	<p>Any expenditure that is of a recurring nature and does not result in the creation of an asset that is of benefit to the organisation beyond the end of the current accounting period.</p>
<p>Scheme Liabilities</p>	<p>The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.</p>
<p>Settlement</p>	<p>An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include.</p> <ul style="list-style-type: none"> i) a lump sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
<p>Total Cost</p>	<p>The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.</p>
<p>Ultra Vires</p>	<p>An action that is outside the powers allowed to the body that wants to execute the action.</p>
<p>Useful Life</p>	<p>The period over which the Local Authority will derive benefits from the use of an asset.</p>
<p>Vested rights</p>	<p>In relation to a defined benefits pension scheme, these</p>

Glossary of Terms

	<p>are:-</p> <ul style="list-style-type: none">i) For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;ii) For deferred pensioners, their preserved benefits;iii) For pensioners, pension to which they are entitled. <p>Vested rights include where appropriate, the related benefits for spouses or other dependants.</p>
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INTRODUCTION TO THE ANNUAL GOVERNANCE STATEMENT

How to meet the ongoing needs of our communities, when faced with continued pressures on available resources, and national government reforms, present a challenge to all councils. In order to meet these challenges every Council must ensure that corporate governance arrangements support the management of risk and the effective delivery of services. Corporate governance concerns the way in which elected members and officers handle the affairs of Council, and how the Council engages with the community, stakeholders and partners.

The preparation of the Annual Governance Statement, to support the Annual Statement of Accounts, is a statutory requirement for local authorities. Its purpose is to demonstrate and evidence that there is a continuous review of the effectiveness of the Council's internal control, performance, and risk management systems. This allows an assurance on their effectiveness to be provided so that users of the Accounts can be satisfied that proper arrangements are in place to govern spending and safeguard assets. The process also enables, if required, the production of a corporate action plan to address any identified weaknesses.

CIPFA have confirmed that "proper practice" in relation to internal control is as detailed in the *Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)* and this has statutory backing. This statement has been prepared taking into consideration the requirements detailed in that report.

An overview of the key elements of the main elements Council's Governance Framework is detailed at Appendix 1.

OVERALL SUMMARY

This is a positive Statement for the financial year 2018/2019, with no significant control weaknesses identified. The Council continues to operate a robust governance framework that is designed in a way to address risk and operates effectively.

The governance framework outlined in this Statement has been in place at the Council for the year ended 31 March 2019.

SCOPE OF RESPONSIBILITY

Hinckley and Bosworth Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness."

In discharging this overall responsibility, Hinckley and Bosworth District Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

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Hinckley and Bosworth Borough Council has approved and adopted a code of corporate governance (The Constitution) which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) /The Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework *Delivering Good Governance in Local Government: Framework*. One of the objectives of the Constitution is to “enable the Council to review its governance arrangements as required”. A full review of the Constitution took place in May 2016.

This Annual Governance Statement (the Statement) explains how the Council has complied with the Constitution and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015. The Statement details the systems of corporate and operational governance as well as the procedures of internal control that are in place. This document relies on several assurance mechanisms including internal audit, the work of Council committees, risk and performance management processes and External Audit.

This statement has been prepared in accordance with the principles of good governance as set out in the CIPFA guidance noted above. These principles are:

Core Principles	Sub-principles
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>B. Ensuring openness and comprehensive stakeholder engagement</p>	<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p> <p>D. Managing risks and performance through robust internal control and strong public financial management</p> <p>E. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>F. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p> <p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>

PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not

absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

Internal control is a process for assuring achievement of an organisation's objectives through identifying and controlling risk. The Committee of Sponsoring Organisations (COSO) defines the framework of internal control as comprising of six components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

The governance framework has been in place at Hinckley and Bosworth Borough Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

There are a number of key elements to the systems and processes that support the Council's Governance Framework, which are noted below.

There is a clear vision of the Council's purpose and target outcomes for local residents and service users, which is communicated via the Corporate Plan. The Council agreed the new Corporate Plan (2017-2021) which sets out the long-term aims of the Council and drives the activities of the Council and Medium Term Financial Strategy.

The Corporate Plan covers how we aim to provide the right opportunities and services and provide them in the best way to improve the quality of life for everyone who lives and works in the borough of Hinckley and Bosworth. It also provides our vision, which has at its heart the key goals of how we intend to create:

- great places to live, work and relax in,
- great places to go and shop, visit and be entertained; and
- to provide opportunities to help our communities stay safe, healthy and active.

It also seeks to promote places to invest in to improve the range and quality of local job opportunities.

The plan does not include everything the council does, but it does set out our priorities, goals and ambitions for the next four years based on what our residents tell us are the most important matters to them. The council's Service Improvement Plans will be the mechanism that will deliver these ambitions.

We have brought those priorities together under three clear headings:

- **People**- Helping people to stay healthy, active and protected from harm
- **Places** - Creating clean and attractive places to live and work
- **Prosperity** - Encouraging growth, attracting businesses, improving skills and Supporting regeneration

The Council uses plans and strategies at various levels to plan and monitor the achievement of its aims and objectives, which together forms the Corporate Planning Framework (See fig 1 below). The objectives set out within the Corporate Plan are used to set targets for each department in their Service Improvement Plans (SIPs). Plans are refreshed annually and progress against targets is managed through the TEN performance management system on a monthly basis. The Senior Leadership Team and the Finance and Performance Committee review performance reports at least quarterly. All officers are required to reflect their departmental SIPs in individual personal development plans and are assessed against these annually.

Figure 1: Hinckley & Bosworth Borough Council – Corporate Planning Framework



The Council's data quality expectations are included in its records management policy, which sets out the Council's requirement that any data used by the authority should be fit for purpose. This is supported by the standards for data quality put in place, being:

- a) **Governance and leadership** - There is a corporate framework for management and accountability of records and data quality, with a commitment to secure a culture of data quality throughout the organisation
- b) **Policies** - There are appropriate policies and procedures in place to secure the quality of the data recorded and uses for reporting
- c) **Systems and processes** - There are systems and processes which secure the quality and protection of records and data as part of the normal business activity of the organisation
- d) **People and skills** - There are arrangements in place to ensure that staff have the appropriate knowledge, competencies and capacity for their roles in relation to records management and data quality
- e) **Data use and reporting** - There are arrangements in place that are focussed on ensuring that data and records supporting reported information is actively used in the decision-making process, and is subject to a system of internal control and validation

In addition, performance data is subject to

- Challenge of measure definition when new indicators are identified through service planning;
- Set up of measures to ensure that calculations are not carried out manually;
- Calculation checking through the data entry process;
- Manager review of data entered by staff;
- Challenge through the target setting process; and
- Challenge through monthly monitoring of performance data.

There are arrangements in place to ensure the financial plans are delivered in accordance with the council's objectives, are management in controlled way and that expenditure represents the best use of resources.

The Council's financial strategy, aims and objectives are outlined in the Medium Term Financial Strategy (MTFS). The MTFS outlines ten financial objectives which the Council looks to achieve whilst managing current financial risks. Alongside this, the Council has in place a Housing Revenue Account (HRA) Business Plan which sets out how the organisation will finance and deliver affordable housing over the next thirty years. From a capital perspective, the Capital Programme covers expenditure and financing plans for the Council over a period of three financial years. Finally a Treasury Management Strategy is approved annually by Council and details the organisation's approach to borrowing and investing.

The system of internal financial control reflects the budgetary control framework which is based on the following principals:

- Preparation of comprehensive annual budgets, reserves review and a Medium Term Financial Strategy to examine the financial health of the Council
- Robust financial regulations and authorisation limits to ensure accountable financial decisions

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- Allocation of financial resource to ensure that each budget holder meets with a dedicated accountant on a monthly basis
- Production of monthly reporting packs which are discussed by Strategic Leadership Board and the Corporate Operations Board
- Preparation of regular financial reports for members which outline actual expenditure against budget and forecast spend for the remainder of the financial year
- Use of a comprehensive financial ledger and reporting tool which produces disaggregated financial reports at various levels (e.g. fund, cost centre, expenditure type) to ensure that stakeholders receive information to inform decisions. The Council has invested in a budget monitoring model within the financial ledger to allow for self service and interrogation of financial data by users
- Inclusion of financial implications in all committee reports
- Representation from finance in the governance structure of all corporate projects

The Council's financial systems are reviewed each year by Internal Audit and in 2017/18 received a confirmation that there were no issues that needed to be reported in the Annual Governance Statement, with no high level risks reported.

Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks.

The council has established policies and procedures to govern its operations. Key within these are the Financial Procedure Rules, Procurement Strategy and Contract Standing Orders, Risk Management Strategy, Codes of Conduct for Members and Officers, Anti-Fraud and Corruption Policy, Whistleblowing Code and Human Resources policies. Ensuring compliance with these policies is the responsibility of everyone throughout the council. These key controls are subject to periodic review, including that by Internal Audit, and are updated to ensure that they are relevant to the needs of the organisation.

Contract Procedure Rules set out the rules governing the procurement process to ensure that value for money is achieved whilst meeting all legal and statutory requirements and minimising the risk of fraud or corruption. The council's Procurement Strategy is a high level view of how to promote effective procurement across the whole organisation. It outlines what good procurement means and details the supporting framework.

A risk management framework has been in place across the council for some years with the objective of embedding effective risk management practices at both strategic and operational levels. The Risk Management Strategy is reviewed on an annual basis and approved by the Audit Committee.

The council's financial management arrangements have one element that does not fully conform to the governance requirements of the CIPFA Statement on the Role of the

Chief Financial Officer in Local Government (2010). The Head of Finance is the Section 151 officer for the Council and has these statutory responsibilities, but is not a member of the Strategic Leadership Board (SLT). However, the Council arrangements allow the Head of Finance to have direct access to the Chief Executive, the Monitoring Officer and other Directors and well as regular one-to-one meeting with the Leader of the Council. The S151 has an open invitation to all SLT meetings. The Head of Finance all has the right to attend and address the Council and any other Committee on any issues that relates to S151 responsibilities. All reports are subject to review for Financial Implications and can be seen by the S151 Officer. These arrangements are considered to have the same affect as if the Head of Finance was a member of the SLT, and is not considered a control weakness.

The Head of Finance has statutory responsibility for the proper management of the council's finances. The management of the council's finances within departments is devolved to directors / service managers through the Scheme of Delegation. Directors / service managers may further devolve decision making to managers and business unit managers through departmental schemes of management.

The Finance Team provide detailed finance protocols, procedures, guidance and training for managers and staff. The structure of the Financial Services Team ensures segregation of duties and all committee reports are reviewed by the appropriate Finance staff.

As a key element of internal control, the Internal Audit function operates in accordance with the CIPFA *Code of Practice and Statement on the Role of the Head of Internal Audit*. Internal Audit reviews are performed as set out in the annual Audit Plan which reflects the Council's strategic risk register. Internal Audit review each scoped area against a set of system controls agreed with management at the start of the visit and within the overall framework of system control objectives. The findings of Internal Audit, and updates on recommendation implementation are reported to, and scrutinised by the Audit Committee. This Committee undertakes the core functions of an Audit Committee as set out in CIPFA's *Audit Committees – Practical Guidance for Local Authorities and Police*.

The Corporate Planning Framework is underpinned by a number of strategies which outline how the support services of the Council will reinforce and sustain front line provision. These include:

- Asset Management Strategy (including the acquisition and disposals strategies)
- Budget Strategy
- People Strategy
- Medium Term Financial Strategy
- Health and Safety Policy
- Risk Management Strategy
- Procurement Strategy
- Communication and Consultation Strategy

Council policies are produced in accordance with the Constitution and are recommended for approval following review by senior management. Decision-making that falls within the policy and budgetary framework rests with the Council's Executive, whilst those falling outside the framework are referred to full Council. The "call-in" procedure enables the Scrutiny Commission to review decisions made by Executive and Council (although the major focus of the overview and scrutiny function involvement is through policy development rather than policy review). Day to day decision-making is carried out by appropriate officers in accordance with the Scheme of Delegated Powers and the Financial Procedure Rules. These arrangements all contribute to the economic, efficient and effective operation of the Council.

The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined, with clear delegation arrangements and protocols for effective communication.

Roles and responsibilities for Executive, Council, Scrutiny and all committees of the council, along with officer functions are defined and documented, with clear delegation arrangements and protocols for effective communication within the council's Constitution. The Constitution is regularly reviewed and updated.

Codes of conduct defining the standards of behaviour for members and officers are in place, conform to appropriate ethical standards and are communicated and embedded across the council.

A register of members' interests is maintained. All members and senior officers are required to complete 'related party' declarations at the end of the financial year in support of the statutory financial statements. Members' allowances are published and reviewed annually by Council. The Ethical Governance and Personnel Committee oversees the performance of members, senior officers and the Council's committees.

Governance arrangements in respect of partnerships and other group working incorporate good practice and are reflected in the council's overall governance arrangements. The Constitution includes provisions for the governance of partnerships involving the Council.

Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The council ensures that all are fit for purpose and the council's interests are protected.

The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two statutory officers (Section 151 Officer and the Monitoring Officer) and the Head of Paid Services have responsibility for ensuring that the Council does not act in an *ultra vires* manner. Management are supported by the internal audit service, which facilitates the management and mitigation of risk and provides assurance on matters of internal control. The Human Resources (HR) function provide a means of improving competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council. All officers are required to complete annual appraisals. The Council's financial management

arrangements conform with the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

The Communication and Consultation Strategy outlines how the Council will engage with local people and stakeholders through means such as The Citizens' Panel. This consists of 800 people who live within the borough and whose views are sought three or four times a year on a range of issues, including both corporate and service-based issues. From time to time, Citizens' Panel members are asked to take part in focus groups and forums to discuss specific issues in greater depth. Citizens Panel members are broadly representative of the profile of the borough, so when we seek the views of the panel we can be confident that we have the views of a representative proportion of the main ethnic minorities, adult age groups, genders and religion/beliefs.

Other surveys and focus groups are undertaken from time to time to help to ensure that our decisions are taken in the light of an understanding of how these will affect local people and communities and to provide adequate and appropriate opportunities for individuals and communities to comment on our plans, policies and services. All surveys go through a strict quality control check to make sure that they meet the standards that we have set for consultation.

Regular formal and informal engagement with particular designated groups such as the Parish Forum, Tenant Advisory Panel, Developer Forum, the Registered Social Landlord Forum and other representatives of hard to reach and minority groups also takes place as and when appropriate.

Examples of areas we have consulted on during the period are:

- Council tenant needs survey
- Satisfaction survey Community Safety

The Council's dedication to quality of service is embedded through relevant strategies and also in the Council's Customer Service Charter. The Council collates customer satisfaction results for face to face, telephone and website interaction.

The Council regularly measures performance through a suite of performance indicators managed on the TEN Performance Management system. All indicators are mapped to corporate priorities and are embedded within individual Service Improvement Plans. Each month performance is entered by managers before the database is locked to maintain accuracy in reporting. Progress is monitored at Directorate level and reports are presented to the Strategic Leadership Team, Scrutiny Commission, Finance Audit and Performance Committee and the Executive. The reports provide the following information for each of these indicators:

- Performance for current year
- The target set for current year
- Performance in the previous year
- Targets for the next three years
- An explanation of performance and the targets set

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The Council actively looks for opportunities to benchmark performance against other Councils. Locally the Council is a member of the East Midlands Performance Benchmarking Group.

REVIEW OF EFFECTIVENESS 2018/2019

The Council has responsibility for conducting at least annually a review of the effectiveness of the system of internal control annually. The review of effectiveness is informed by the work of the Chief Officers within the authority who have responsibility for the development and maintenance of the governance environment, and their service assurance returns, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

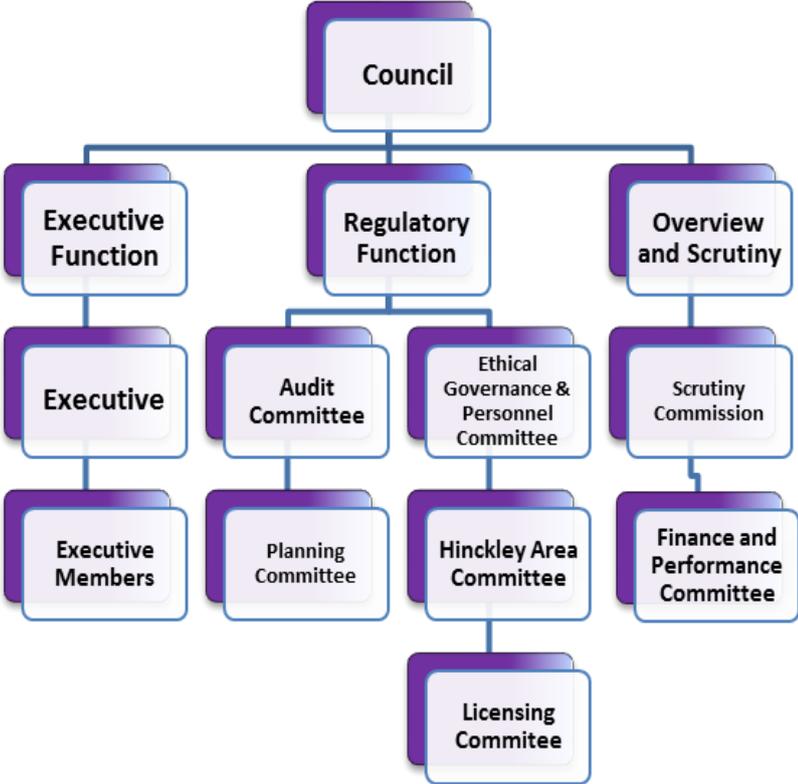
Each year all service areas are required to conduct a self-assessment of the adequacy of controls in place to manage principal business risks. This statement evaluates the effectiveness of procedures, systems and controls, highlights areas for improvement and actions intended to address these. Action plans are incorporated in the service planning process.

The Constitution sets out the essential elements of the scrutiny processes that are administered by the Scrutiny Commission and the Finance and Performance Scrutiny Committee. It describes the functions and membership of the Commission and Committee and Scrutiny Procedure Rules. Decisions of the Executive are subject to scrutiny by the Scrutiny Commission and the Finance and Performance Committee. The Scrutiny arm also has a role in policy development. In addition, task groups are established to oversee ad-hoc projects.

The Scrutiny Commission publishes a work programme. In accordance with Executive arrangements regulations (meetings and access to information) all key and private decisions which are due to be taken by the Executive are published on the Council website with a 28 day notice period.

Council Structure

The diagram below sets out the Council's democratic decision making arrangements as at 31 March 2019.



Chapter 7 of the Localism Act 2011 outlined that there is no longer a statutory requirement to have a Standards Committee, however each Council has to put in place arrangements dealing with complaints and standards issues. The Council adopted an individual Code of Conduct in 2012/13 and formed an Ethical Governance and Personnel Committee which merged the remits of the previous Standards & Personnel Committees and covers conduct and complaints.

The Authority

The Council comprises 34 Members and, as a whole, takes decisions on budget and policy framework items as defined by the Constitution.

The Executive

The Executive is responsible for the majority of the responsible for decisions within the policy framework adopted by Council.

The Audit Committee

The council has an established Audit Committee, which is independent of the executive function of the council, and is responsible for overseeing internal and external audit, risk management processes and reviewing the adequacy of internal controls.

Ethical Governance & Personnel Committee

The Ethical Governance & Personnel Committee role is promote and maintain high standards of conduct by Councillors and to administer the Council's Personnel policies as they affect individual employees and to liaise with the Executive in Personnel Policy Development.

Other Committees that support the governance framework of the Council are:

- Planning Committee
- Hinckley Area Committee
- Independent Remuneration Panel
- Joint Community Safety Partnership Overview & Scrutiny Committee
- Licensing (Regulatory) Committee
- Member Development Group
- Directors' Briefing
- Statutory Officer Employment Panel

The Scrutiny Commission

The Scrutiny Commission is part of the Council's Overview & Scrutiny function. It discharges functions conferred by the Local Government Act 2000, with the aims of improving services to the public. The Scrutiny Commission has a role in policy development and review and scrutiny of Executive decisions, acting as a critical friend.

Finance & Performance Scrutiny

This has a similar role to the Scrutiny Commission, but with a an emphasis on governance issues in relation to finance and service performance of the authority, amongst other overview & scrutiny functions

Statutory Officers

The Chief Financial Officer (Section 151 Officer) - The role of the Chief Financial Officer is a fundamental building block of good corporate governance. The two critical aspects of the role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources.

The Monitoring Officer - The Monitoring Officer has a duty to report on matters believed to be, or are likely to be, illegal or amount to maladministration, be responsible for matters relating to the conduct of Councillors and Officers and keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose.

The Head of Paid Services - The Head of Paid Service has overall responsibility for the management and coordination of the employees appointed by the Council. They are required to report to the Council as appropriate with regard to the way in which the overall discharge by the Council of its different functions is coordinated, the number and grades of staff required for the discharge of these functions, the way in which these people are organised and managed, and the way in which they are appointed.

INTERNAL AUDIT

The Council's internal audit service has been outsourced to Price Waterhouse Coopers (PWC) for 2018/2019. Internal audit delivers its work in accordance with to the requirements of the Public Sector Internal Audit Standards (PSIAS).

Internal Audit adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors.

Internal Audit remain independent of the business and they shall report to the Chief Audit Executive who, in turn, shall report functionally Audit Committee and administratively to the Section 151 officer. Audit recommendations are followed up in a timely manner based upon the priority of the recommendation through the use of the recommendation tracking software.

Internal Audit staff have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit.

Internal Audit update the Audit Committee regularly on the work of Internal Audit and issues an annual statement that provided the Internal Audit assurance opinion.

Head of Internal Audit Statements and Opinion 2018/19

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

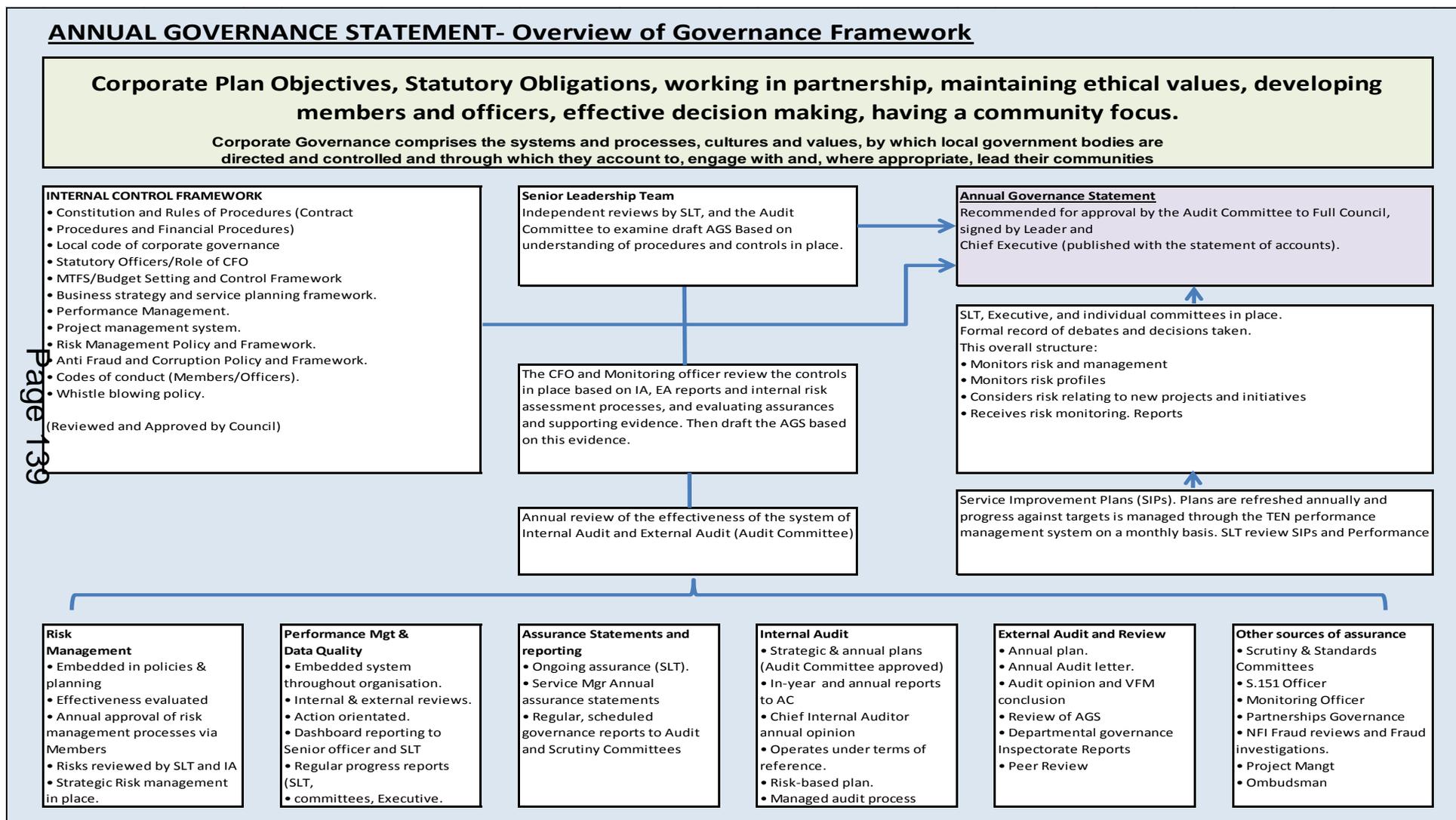
Opinion

Our opinion is as follows:

**Significant assurance with
some improvements
required**

No significant control weaknesses have been identified that that they considered needing to be included in this AGS.

The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Annual Audit Letter will be considered formally by the Audit Committee (under the revised Committee structure for 2016 onwards).



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