

Public Document Pack



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Chief Executive

Hinckley & Bosworth
Borough Council

A Borough to be proud of

AUDIT COMMITTEE - 27 JUNE 2016

SUPPLEMENTARY AGENDA

10. DRAFT ANNUAL GOVERNANCE STATEMENT (Pages 1 - 114)

Please find attached the Statement of Accounts, to accompany the draft Annual Governance Statement.

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Hinckley & Bosworth
Borough Council

A Borough to be proud of

Statement of Accounts



2015/2016

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Chief Executive's Message

A message from the Chief Executive as Head of Paid Services.

At the time of drafting this introduction to the narrative report, we are ending a good year for Hinckley & Bosworth Borough Council. We have achieved our savings target of £1.7 million and moved our redevelopment goals forward; in particular the successful opening of the Crescent Development and significant progress on the new Leisure Centre, which will open on time and on budget.

As the financial statements for 2015/16 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:

- Review the financial performance during 2015/16 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
- 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.

As we close one year and look forward into 2016/17, the economic outlook is continuing to show some improvement, but Central Government still spends more than it collects and so significant pressure remains to bring the country out of its budget deficit by 2020. Central Government is tackling this through a programme of sustainable economic growth and a drive for efficiency savings/ cost reductions across public services.

This means the landscape of Local Government is changing dramatically. Government has set in motion the creation of Combined Authorities, which will be able to request devolved powers to the local area. All Councils in Leicester and Leicestershire are currently in the process of establishing such an authority. This devolution agenda, along with the setting up of Health and Wellbeing Boards and 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.

Hinckley & Bosworth Borough Council historically has resisted increases in council tax. This has led to the Council for 2015/16 having the ninth lowest Council Tax charge out of 201 District councils in the Country at £112 per year, which is £32 less than the 50th lowest Council and significantly below the national average. 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 introduced a £5 increase beginning in 2016/17.

New Homes Bonus is very likely to be reformed and, although for 2015/16 we received £1.9m, 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. Also the reforms to this area of funding will lead to it being under threat in future years, as some funds are diverted from this programme to fund adult social care improvements. However, the government is consulting on

Chief Executive's Message

the details and wants to “sharpen the incentive to reward communities for additional homes.” This creates some levels of uncertainty moving forward.

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 100% of the growth of business rates from 2020, subject to some redistributive safeguards. We had a contribution to our income of £2.3m in 2015/16 and this level is likely to continue in 2016/17, but the longer term future is still uncertain. Nevertheless, the reforms can be seen as opportunity for the Council to encourage economic growth, as a means of creating additional income.

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. In 2015/16 we had cost pressures of £0.982 million, which we managed to offset by savings of £1.73 million. For 2016/17 these pressures have increased with £2.0m of cost pressures being offset by equivalent savings. We have already agreed plans to ensure the Council meets these targets and will continue to look forward and seek further efficiencies, as part of an efficiency plan agreed with DCLG.

Our ability to fund capital projects will remain constrained through a ‘cap’ on borrowing, the (lack of) availability of land and a low level of capital receipts. 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 exists primarily to serve the citizens of our Borough, but its role is changing and, therefore, we will be required to offer new services, as demanded by local people; services which change the way we operate with other public bodies. District Councils everywhere are having to re-define themselves; by becoming more pro-active in preventing problems for other agencies such as the police and the NHS; by seeking ways to improve lives and reduce the welfare burden; 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 regional Government, and all this whilst improving the efficiency of our traditional services, valued by our local communities.

Narrative Report

Narrative report

This Narrative Report (a change in requirements for 2015/16 replacing the Explanatory Foreword) provides information about Hinckley & Bosworth, including the key issues affecting the Council and its accounts. Our narrative statement is to complement the Council's Statement of Accounts (the Statements) for the year ended 31st March 2016, which are set out from page 27. The Narrative Report is provided to give 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 2015/16 Revenue Budget Process.
- Financial Performance of the Council 2015/16
- Capital Strategy and Capital Programme 2015/16 to 2019/20
- Non-Financial Performance of the Council 2015/16
- Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2015/16.

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.

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, 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 last election in May 2015 Conservatives gained political control in this borough. Councillor Mike Hall is Leader of the council. The composition of this council is:

- Conservative: 21,
- Liberal Democrat: 12,
- Labour: 1.

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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

- 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, Audit & Performance Committee to discharge functions conferred by the Local Government Act 2000.

Hinckley & Bosworth Borough Council's vision is to be a borough to be proud of. The key to delivering this vision is to create a vibrant place to work and live. As a consequence, Hinckley is going through a transformation with an investment of over £1billion creating approximately 10,000 jobs in Hinckley town centre and the wider borough. This transformation is creating exciting development and relocation opportunities in the retail, business, education and housing sectors. Some projects are underway with others yet to start offering the chance for organisations to join and work towards this vision with a determined and progressive council. Success is dependant upon public and private sector investment in an environment of determination and collaboration.

Hinckley has the key ingredients for success:

Place	People
The borough is largely rural in character with areas of open farmland and small towns and villages. Almost 90% is green open space	There are almost 50,000 people of working age in the borough with the highest percentage working in manufacturing
The majority of the population live in Hinckley, Burbage, Barwell and Earl Shilton with a range of cultural, sports, shopping and leisure facilities.	A workforce of 1 million within the wider region
The larger centre of Leicester is only a few miles away Approximately 5,500 new dwellings are planned by 2026	Employment in high tech manufacturing and distribution and logistics well above the national average in the borough and the region
Business	Education
MIRA Technology Park Enterprise Zone with incentives to support both new and expanding businesses	Universities close by: The University of Leicester, De Montfort University, Loughborough University, University of Warwick and Coventry University

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Employers already in Hinckley: Triumph Motorcycles, Caterpillar, National Grid UK, Tesco Distribution, Hammonds Furniture	North Warwickshire and Hinckley College which has a new campus and the Harrowbrook Construction Centre in Hinckley and sites in Nuneaton and Atherstone
In the wider region: Next, PepsiCo, 3M, Samworth Brothers Distribution, Santander	New national Skills Academy for the automotive sector at HORIBA MIRA

The Council are proud to have been involved in key developments during 2015/16 to build on these key ingredients of success.

The borough also has plans to support the delivery of 9,000 new homes over the period from 2006 to 2026, focusing on extensions to the urban area. There are also a number of key commercial developments, including the recently opened Crescent development in Hinckley Town Centre and the new Hinckley Leisure Centre, which have significantly improved the Town's retail and leisure offer. A number of brownfield sites in the urban area have also been redeveloped bringing new homes, education and employment opportunities at key sites, including: Sketchley Brook, Jarvis Porter, Hinckley & North Warwickshire College and the Atkins Building. Other developments include:

The Cultural Quarter	Earl Shilton Sustainable Urban Extension
Castle Street and Church Walk car park	Middlefield Lane
Britannia Shopping Centre	Nailstone Colliery - Midas 22
MIRA Technology Park	Wheatfield Way
Barwell Sustainable Urban Extension	

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The 2015/16 Revenue Budget Process

Revenue Budget 2015/16

The 2015/16 revenue budget process was prepared in light of the continued need to make significant reductions in expenditure, but ensuring the Council priorities are progressed. The 2015/16 General Fund revenue budget has been prepared with clear links to the Council's strategic and service objectives. Clarity of priorities has enabled the Council to prioritise the projects included in the Capital Programme.

In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-3% 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 2015/16 estimates includes the agreed 2.2% pay increase as outlined by the NJC in November 2014. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (£465,878 – General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge.

- Service Growths totalling £982,806 endorsed by the Strategic Leadership Board have been included in the budget. Of this amount:
- £345,792 relates to the gap arising from the withdrawal of green waste recycling credits by the County Council from 2015/16. A one off contribution from reserves has been made to compensate for this gap as outlined in the reserves section of this report
- £398,100 relates to the withdrawal of funding from the County Council for delivery of Sure Start Programmes from 2015/16. This service will transfer to the County Council and therefore the Council will also save the running costs of this service to the same amount.
- £125,600 relates to an increase in the budget for restructuring costs that may arise in year.

In comparison, service managers and the Corporate Operations Board (COB) have identified £1,732,638 savings through review of income streams and expenditure levels. The most significant of these savings are:

- Removal of budgets for delivering Sure Start Programmes £398,100 as outlined above
- £493,686 saving from removal of New Homes Bonus allocation to parish councils.
- £259,000 additional growth in the income budget for planning fees. This reflects the ongoing increase in applications made to this service
- £92,000 rental income due to the Council in 2015/16 from the units owned on the Crescent development.

The Leicestershire Pension Fund was re-valued as at 31 March 2013 in accordance with statutory requirements and was found to be in 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 16.4% will be used with an additional 0.9% being

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included for Ill Health retirement insurance. In addition a lump sum value of £371,000 is payable to the Local Government Pension Scheme.

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.
- Where possible, all actual service under-spends and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
- There should be no direct contribution from revenue to capital except for specific identified projects.
- 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 DSO account is transferred to/from the Housing Repairs Account held within the Housing Revenue Account

Financial Performance of the Council 2015/16

Financial Performance of the Council 2015/16

The outturn for 2015/16 saw an improvement in the financial position of the Council compared with that anticipated when the Budget was prepared in the autumn of 2015. At the start of the financial year, due to early management direction on the need to find further in year efficiencies, the Council was able to make a contribution of £1.182 million from General Fund balances to earmarked reserves to ensure availability of sufficient funds for future pressures and capital projects. Taking this/ other subsequent transfers into account, the total under spend for the Council at year end was £0.339million. The main reasons for the variations were:-

- Development Control underspend
- Planning Policy underspend
- Efficiency savings arising from the revenues and benefits service.

The reasons for the variations were considered by the Strategic Leadership and Corporate Operations Board and both were satisfied that the circumstances leading to the under spend had not impacted on the level of service provided by the Council.

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A summary position to 31st March 2016 is set out below

	Original Estimate £	Latest Estimate £	Out Turn £
Central Services	2,990,531	3,379,363	1,970,971
Leisure & Environment	6,488,829	6,868,752	6,710,959
Housing (General Fund)	901,744	1,023,950	964,624
Planning	1,629,340	1,997,525	2,887,300
Direct Service Organisations	(176,410)	(176,410)	(142,285)
Further Savings Identified in Year	0	(1,340,000)	0
Total Service Expenditure	11,834,034	11,753,180	12,391,569
Special Expenses brought down	(618,360)	(641,360)	(646,403)
Capital Accounting Adjustment	(1,360,840)	(1,380,840)	(2,632,583)
Revenue Contributions to Capital	0	(20,000)	48,655
External Interest Paid /(Received)	4,100	4,100	(18,193)
IAS 19 Adjustment	(129,980)	(129,980)	(593,588)
Unfunded Benefits & Curtailments	0	0	84,000
Holiday pay accounting adjustment	0	0	5,292
Transfer to / (from) Pension Reserve	3,880	3,880	0
Transfer (from) / to carry forwards	0	(126,682)	104,832
Transfer (from) / to unapplied grants	0	(301,352)	(196,015)
Transfer to Reserves	667,000	1,352,000	1,538,000
Use of Reserves	(890,951)	(973,507)	(919,575)
Transfer (from) / to General Balances	159,456	128,900	366,538
HBBC Budget Requirement	9,668,339	9,668,339	9,532,529

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Capital Strategy and Capital Programme 2015/16 to 2017/18

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.

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:

- The Hinckley Bus Station Redevelopment - "The Crescent"
- Build of the new Hinckley Leisure Centre and demolition of the current site
- Capital works associated with the Regional Growth Fund to support the development of the MIRA Enterprise Zone and wider economy
- Build of the new Hinckley Squash and Rackets Club facility

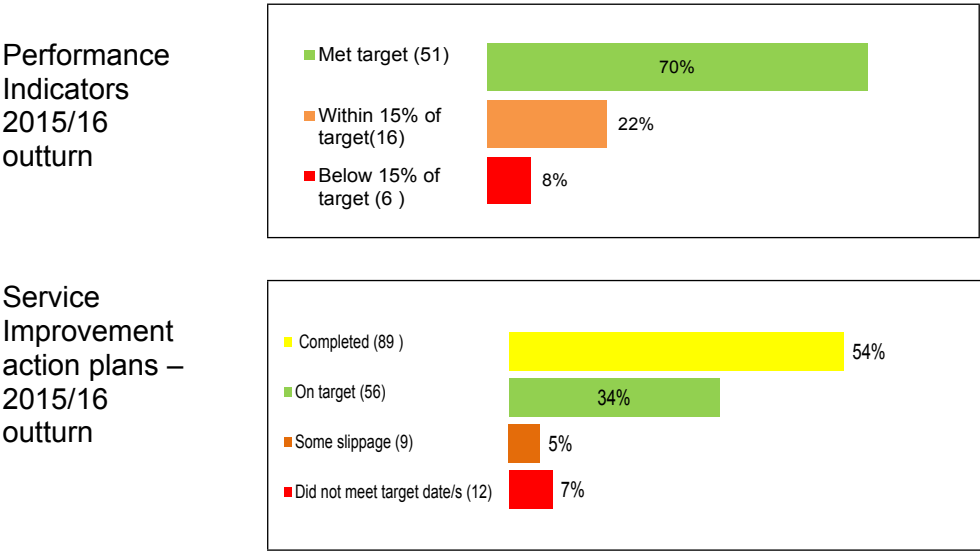
The overall Capital Programme for 2015/2016 – 2017/2018 is given below.

	2015/2016	2016/2017	2017/2018	Total
	£	£	£	£
Expenditure	21,247,115	3,419,940	1,168,640	25,835,695
<i>Financed from:</i>				
Reserve	1,890,153	771,980	93,690	2,755,823
Capital Receipts	2,275,000	295,000	450,000	3,020,000
Borrowing	13,626,467	1,707,280	205,160	15,538,907
Grant income	3,455,495	645,680	419,790	4,520,965
Total financing	21,247,115	3,419,940	1,168,640	25,835,695

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Non-Financial Performance of the Council 2015/16

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 is 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 Audit 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 Audit and Performance Committee as well as Joint Boards. Corporate level performance for the 2015/16 year was reported as follows:



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

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 2015/16 this review has conclude that there are no significant control weaknesses have been identified for reporting in 2015/2016.

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.

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The Council's Operations

The Council's management structure is documented within the Constitution and management structure chart. The Council's officers are led by the Strategic Leadership Board, made up of the Chief Executive (Head of Paid Services), the Deputy Chief Executive Corporate Direction (S151 officer) and the Deputy Chief Executive (Community Direction). This Strategic Leadership Board and the Corporate Operations Board (made up of four Chief Officers) form the Council's "Joint Boards" who are responsible for implementation of the strategic goals of the Council as decided by members.

The number of Council employees and elected members for 2015/16 and prior year are as follows:

Service Area	31st March 2016	31st March 2015
Corporate Direction	167	163
Community Direction	242	241
Chief Executives Office	7	6
Councillors	34	34
Total Staff	450	444

The Council sets a target for sickness absence on an annual basis for all staff. Outturn against this target for 2015/16 and the previous year was as follows:

Target	Target	Outturn 2015/16	Outturn 2014/15
Working Days Lost due to Sickness Absence		7.59 days	8.45 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 has improved in 2015/16 (7.59%) compared to the prior year (2014/15, 8.45%) because there has been a reduction in long term absentees. In addition, regular attendance management 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 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 at

http://www.hinckley-bosworth.gov.uk/info/100004/my_council/535/constitution_of_hinckley_and_bosworth_borough_council

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Material Changes

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

Regional Growth Funding

The Council has been awarded Regional Growth Funding for works to the A5 and MIRA Enterprise Zone. The Council acts as the “accountable body” for these funds, transferring designated elements to third parties to perform capital/revenue work. As funding has not been spent in full in 2015/16, the balances are held on the Balance Sheet as at 31st March 2016:

	£'000
Unapplied Grants and Contributions – The conditions of the funding are deemed to have been met and therefore this balance represents unspent funds that will be incurred by Hinckley and Bosworth Borough Council in future years (Included in Note 7)	(555)
Short term payables – Representing unspent funds that will be transferred to third parties to spend (Note 20)	151

In relation to these transactions, the following material balances are held on the Balance Sheet as at 31st March 2016:

	£'000
Short term receivables (Note 19) – Representing the balance of CPO payments due from developers	552
Short term payables (Note 20) – Representing the balance of CPO payments due to land owners	552

Accounting Policies

The Council’s Accounting Policies are contained in the Statement of Accounts from page 91 to page 106.

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.

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Revenue Reserves

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

	2016	2015
	£'000	£'000
Earmarked Revenue Reserves (General Fund and HRA)	3,684	4,112
General Fund Balance (including Special Expenses)	1,486	1,148
Housing Repairs Account	411	697
Housing Revenue Account	989	711
	6,570	6,668

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.
- 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 2015.

Note 40 discloses a net pension liability of £27.670 million for the Council as at 31st March 2016 compared to £38.603 million at 1st April 2015. 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.

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Capital Expenditure and Disposals

Capital expenditure on Property, Plant and Equipment in 2015/16 was £23.082 million. Of this total £2.026 million relates to Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The Council disposed of assets worth £1.311 million in the year of which £1.169 million related to right to buy dwelling sales.

External Borrowing

As at 31st March 2016 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, Audit and Performance Committee. The main elements of these documents are reflected in Note 41.

In 2015/16 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 both 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 £0.612 million as at 31st March 2016. 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 2015/16 to provide for costs of legal cases that are likely to require settlement in 2016/17.

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 £0.529 million has been estimated for this Council for 2015/16.

Where a liability is possible (but not likely) or the cost cannot be reliably estimated, a contingent liability is disclosed. Note 42 contains details of three contingent liabilities that have been identified as at 31st March 2016. These include potential outcomes of planning appeals and

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legal cases, as well as an acknowledgment that further business rates appeals may be lodged in 2016/17 relating to rateable values decided in 2015/16. In order to ensure completeness of these disclosures, a formal review of provisions and contingencies is conducted annually by both the Strategic Leadership Board and the Corporate Operations Board.

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 2015/16 year are summarised below. There were no single material write offs processed in year and all arose in the course of standard Council operations.

	2015/16
	£'000
General Fund Write Offs	11
Housing Revenue Account Write Offs (including rents)	494
Collection Fund Write Offs	212
Total Write Offs	717

Resources Available to Support Future Capital Expenditure

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

	2016	2015
	£'000	£'000
Unapplied Grants and Contributions	2,996	3,849
Usable Capital Receipts Reserve	683	2,099
Earmarked Revenue Reserve for Future Capital Projects	12,061	9,452
Total available resources	15,740	15,400

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 2016/17 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 to unlock a number of regeneration schemes (e.g. the Town Centre Redevelopment and Leisure Centre).

	2016/17	2017/18	2018/19
	£'000	£'000	£'000
<i>Expenditure</i>			
Leisure and Environment	1,253	473	382
Planning	704	85	67
Central Services	697	15	75
Housing (General Fund)	766	596	595
Expenditure Total	3,420	1,169	1,119
<i>General Financing</i>			
Capital Receipts	295	450	450
Supported Borrowing	107	107	107
Unsupported Borrowing	903	99	130
Contribution from reserves	772	94	107
Leisure Centre Borrowing	698	0	0
Grants	645	419	325
Financing Total	3,420	1,169	1,119

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 2015/16 the Housing Revenue Account has a surplus £0.278 million compared with a deficit of £0.445 million in 2014/15. This position reflects the transfer of significant balances to the HRA Regeneration Reserve for future capital spend and also a revision to the “minimum” balances levels within the HRA (£250 per property)

The Housing Repairs Account shows a deficit of £0.019 million in 2015/16 compared with a surplus of £0.214 million in 2014/15.

The total of both the Housing Revenue Account and Housing Repairs account balances at 31st March 2016 was £1.666 million compared with £1.408 million in 2014/15. The Housing Revenue Regeneration Reserve held a balance of £10.076 million and will be used to fund future Affordable Housing schemes.

Collection Fund – Council Tax

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 details are set out in the Collection Fund Statement. In 2015/16, the Collection Fund collected £84.210 million from Council Tax and National Non Domestic Rates compared to £79.086 million in 2014/15.

Business Rates Pooling

The Local Government Finance Act (2012) introduced the Business Rates Retention system from 1st April 2013. The new arrangements enable local authorities to retain a proportion of the business rates generated in their area. Billing authorities collect rates on behalf of Central Government (50%), Major Preceptors – Leicestershire County Council (9%) and the Leicestershire Fire and Rescue Service (LFRS) (1%) and the Council itself (40%).

The Government calculated two “baselines” for each local authority – a funding baseline and a rates baseline. Where the funding baseline is higher than the rates baseline (as is the case for the County Council) the authority requires a “top-up” and is not subject to a levy on any business rates growth. Where an authority’s rates baseline is higher than its funding baseline, the authority is in a “tariff” position and will contribute to a central fund which is redistributed to “top-up” authorities.

“Tariff” authorities are subject to a levy on any real terms growth in business rates at a maximum rate of 50%. In non-pooled areas the tariff is payable to the Government and will be used to fund “safety net” payments to authorities which have seen significant reductions in business rates income. The safety net is currently activated if retained rates fall below 92.5% of the funding baseline for the authority.

Authorities were invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity.

Narrative Report

The County Council along with Leicester City Council, the LFRS and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2015/16, the Leicester and Leicestershire Pool (LLP). The County Council was the lead authority for the LLP. Due to uncertainties over Government policy changes and the level of potential appeal losses, the partners decided not to continue with the pool in 2014/15, though the Pool was reinstated in 2015/16.

The Collection Fund for Hinckley and Bosworth Borough Council shows that £30.113 million rates were collected (£27.276 million in 2014/15), of which £29.070 million are subject to Business Rates Retention allocations (£27.575 million in 2014/15).

Direct Services Organisations (DSO)

The Council operates three Trading Accounts:

- Markets – the operation of the market in Hinckley town centre
- Grounds Maintenance – an internal business unit that provides grounds maintenance services to all parts of the Council; and
- Housing Repairs– an internal business unit that provides housing repair services to the Borough Council.

The expenditure and income relating to the DSOs is shown in Note 28 to the Core Financial Statements.

Narrative Report

Post Balance Sheet Event

The Statement of Accounts were authorised for issue on 28 June 2016 by A.Wilson, Interim Head of Finance. Events taking place after this date are not reflected in the financial statements or notes.

There are no post balance sheet events

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 lead 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, means that significant risks of funding of local services have been passed over by central government to local government through the changes to Business Rates Retention (BRR), localisation of Council Tax support (LCTS) and New Homes Bonus. That said, guidance in these areas is ever changing, making it difficult for authorities to reliably forecast or pre-empt financing arrangements going forward.

Across the country, many Councils are having to look for drastic measures to cut costs and ensure solvency in the medium term. In Leicestershire, the County Council is required to make £78 million savings over the next four years. In order to achieve these targets, pressures will be transferred to district councils in areas such as waste, children's services and older peoples' services. For this Council, the direct impact of these changes is forecast to create an estimated budget pressure from 2015/2016 of up to £500,000 overall. The indirect impact of changes implemented by the County Council, however, could increase this.

Locally, the commitment to minimise the impact of economic pressures on the local tax payer has meant a commitment to freeze council tax. This Council has frozen council tax since 2011/12. Whilst this is beneficial for the tax payer, it has caused "erosion" to the council tax base of this Council and reduced the potential spending power by £0.7million. This, together with the desire of the Council to minimise increases in fees and charges (e.g. car parking), and reluctance to introduce new fees and charges (e.g. green waste) to assist local residents and businesses means that the Council's budgets continue to be under pressure.

In order to plan for these risks, 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:

Narrative Report

1. The Council should allocate resources to services in line with the Corporate Aims and Ambitions.
2. Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework.
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.
4. To review the scale of fees and charges at least annually.
5. To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise.
6. Capital expenditure is properly appraised.
7. When funding the Capital Programme, all funding options are considered.
8. To review levels and purpose of Reserves and Balances.
9. To maintain sustainable Council Tax increases.
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 2015/16 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).

The Statements consist of:

- The Statement of Accounting Policies
This document explains the basis of the figures included in the Statements. The Statement can be properly appreciated only if the policies, accounting estimates and judgements, which have been followed in dealing with material items, are explained.
- The Statement of Responsibilities
This sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.
- 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' (these reserves can be applied to fund expenditure or reduce local taxation) and other reserves analysed as 'unusable reserves'.
- The Comprehensive Income and Expenditure Statement
This Statement shows the accounting cost in the year of providing services and income to fund the cost of providing this service from a combination of Council Tax, National-Non Domestic Rates and grants from Government.
- The Balance Sheet
This shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date.
- The Cash Flow Statement
This provides a summary of the inflows and outflows of cash arising from transactions with third parties during the financial year. Internal transfers are thus excluded from expenditure and income.

Narrative Report

- The Housing Revenue Statement

This Statement reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing revenue expenditure and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement

- The Collection Fund Comprehensive Income and Expenditure Statement

Shows the transactions relating to the collection of Council Tax, and National Non-Domestic Rates.

These Statements are supported by accompanying notes.

These accounts were approved for publication on 28 June 2016 by A Wilson, Interim 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)
Interim Head of Finance

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 Interim 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 Interim Head of Finance's Responsibilities

The Interim 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 Interim 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 Interim 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 2016.

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

Cllr M Hall

Interim Head of Finance

Leader of the Council

CORE *financial* STATEMENTS

THE *Movement in Reserves Statement*

THE *Comprehensive Income and Expenditure Statement*

THE *Balance Sheet*

THE *Cash Flow Statement*

CORE *Financial* STATEMENTS

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 included 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 as they arise out of asset changes rather than from the entity's operating performance the 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.

Movement in Reserves Statement

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	General Fund Balance	General Fund Earmarked reserve	Housing Revenue Account	Earmarked HRA Reserves	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	£000	£000
Balance at 31st March 2014 carried forward	2,206	6,472	1,156	7,047	1,386	0	12,074	30,341	30,141	60,482
Surplus or (deficit) on the provision of services	(12,041)	0	23,775	0	0	0	11,734	0	11,734	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(6,705)	(6,705)	
Total Comprehensive Income and Expenditure	(12,041)	0	23,775	0	0	0	11,734	(6,705)	5,029	
Adjustments between accounting basis & funding basis under regulations (Note 6)	9,949	0	(21,587)	0	713	0	(8,226)	(19,151)	19,151	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,092)	0	2,188	0	713	0	(8,226)	(7,417)	12,446	5,029
Transfers to/(from) Earmarked Reserves (Note 7)	1,034	(1,034)	(2,632)	2,632	0	0	0	0	0	0
Increase/(Decrease) in Year	(1,058)	(1,034)	(444)	2,632	713	0	(8,226)	(7,417)	12,446	5,029
Balance at 31 March 2015 carried forward	1,148	5,438	712	9,679	2,099	0	3,848	22,924	42,587	65,511
Surplus or (deficit) on the provision of services	(3,687)	0	6,486	0	0	0	2,799	0	2,799	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	18,766	18,766	
Total Comprehensive Income and Expenditure	(3,687)	0	6,486	0	0	0	2,799	18,766	21,565	
Adjustments between accounting basis & funding basis under regulations (Note 6)	3,544	0	(4,894)	0	(1,416)	207	(852)	(3,411)	3,411	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(143)	0	1,592	0	(1,416)	207	(852)	(612)	22,177	21,565
Transfers to/(from) Earmarked Reserves (Note 7)	482	(482)	(1,313)	1,313	0	0	0	0	0	0
Increase/(Decrease) in Year	339	(482)	279	1,313	(1,416)	207	(852)	(612)	22,177	21,565
Balance at 31 March 2016 carried forward	1,487	4,956	991	10,992	683	207	2,996	22,312	64,764	87,076

Comprehensive Income and Expenditure Statement

2014/15				2015/16			
Gross Expenditure	Gross Income	Expenditure / (Income)		Note	Gross Expenditure	Gross Income	Expenditure / (Income)
£000	£000	£000			£000	£000	£000
2,048	(1,494)	554	Cultural and Related Services		3,596	(1,066)	2,530
5,840	(2,031)	3,809	Environmental and Regulatory Services		5,677	(1,230)	4,447
5,504	(2,823)	2,681	Planning Services*		3,515	(2,022)	1,493
10,534	(1,673)	8,861	Regional Growth Funding *		1,308	0	1,308
19,650	(19,037)	613	Other Housing Services		20,432	(19,652)	780
2,735	(1,456)	1,279	Central Services to the public		2,040	(1,383)	657
1,153	(284)	869	Corporate and democratic Core		1,428	(81)	1,347
3,510	(2,656)	854	Non Distributed costs		2,008	(3,337)	(1,329)
(12,291)	(13,365)	(25,656)	Housing Revenue Account		6,018	(14,169)	(8,151)
38,683	(44,819)	(6,136)	Net Cost of services		46,022	(42,940)	3,082
3,220	0	3,220	Other operating expenditure	8	2,553	0	2,553
6,065	(3,459)	2,606	Financing and investment income and expenditure	9	5,648	(2,439)	3,209
35	(11,459)	(11,424)	Taxation and non-specific grant income	10	594	(12,237)	(11,643)
48,003	(59,737)	(11,734)	(Surplus) or deficit on Provision of services		54,817	(57,616)	(2,799)
		652	(Surplus) or deficit on revaluation of Fixed Assets	11			(5,967)
		6,053	Remeasurement of net defined pension liability	40			(12,799)
		6,705	Other Comprehensive Income And Expenditure				(18,766)
		(5,029)	Total Comprehensive Income and Expenditure				(21,565)

* Reginal growth fund is contained within planning services under SERCOP. Reginal growth fund transactions have been presented separately to provide more information.

The Balance Sheet

31st March 2015 £000		Notes	31st March 2016 £000
164,671	Property, Plant and Equipment	11	197,836
121	Heritage Assets	13	121
10,113	Investment Property	12	0
253	Intangible Assets	14	806
152	Long Term Receivables	18	165
175,310	Long Term Assets		198,928
10,650	Short Term Investments	17	0
6	Inventories	15	4
7,082	Short Term Receivables	19	7,167
9,771	Cash and Cash Equivalents	16	7,963
27,509	Current Assets		15,134
(253)	Cash and Cash Equivalents	16	(816)
(7,000)	Short term Borrowing	41	0
(9,506)	Short Term Payables	20	(10,387)
(641)	Short Term Provisions	21	(612)
(17,400)	Current Liabilities		(11,815)
(1,243)	Long Term Payables	20	(2,831)
(70,952)	Long Term Borrowing	41	(75,952)
(47,702)	Other Long Term Liabilities	22	(36,371)
(11)	Capital Grants Received in Advance	31	(17)
(119,908)	Long Term Liabilities		(115,171)
65,511	Net Assets		87,076
22,924	Usable Reserves	23	22,312
42,587	Unusable Reserves	24	64,764
65,511	Total Reserves		87,076

The unaudited accounts were issued on 28 June 2016

CORE *Financial* STATEMENTS

The Cash Flow Statement

The Cash Flow Statement has been produced using CIPFA's indirect method.

2014/15 £'000		Note	2015/16 £'000
11,734	Net surplus or (deficit) on the provision of services		2,799
(10,334)	Adjustments to net surplus or deficit on the provision of services for non cash movements		5,375
(581)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(288)
819	Net Cash flows from Operating Activities		7,886
(17,163)	Investing Activities	26	(7,859)
7,330	Financing Activities	27	(2,398)
(9,014)	Net increase or decrease in cash and cash equivalents		(2,371)
18,532	Cash and Cash Equivalents at the beginning of the reporting year		9,518
9,518	Cash and cash equivalents at the end of the reporting year	16	7,147

1. Accounting Standards Issued But Not Yet 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 2016/17 Code:

- IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. This is to improve the “telling the story” element of the financial statements.
- Adoption of the measurement requirements of the Code of Practice on Transport Infrastructure Assets in the 2016/17 Code CIPFA/LASAAC has agreed that the 2016/17 edition of this Code will adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets, as amended in 2013 (or any subsequent amendments to that Code that may be issued), i.e. measurement on a Depreciated Replacement Cost (DRC) basis. This will represent a change in accounting policy from 1 April 2016 and shall restatement be accounted for retrospectively in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, this is not expected to have a material impact on the accounts.
- There have been other changes and amendments introduced in relations to: Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions), FRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations), IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation). Annual Improvements to IFRSs 2010-2012 and 2012 – 2014 Cycle will also be included in the 2016/17 code. None of the changes are expected to have a material impact on the accounts.

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:

- IFRS 13 Fair Value Measurement, which provides a consistent definition of fair value, has now been adopted by the 2015/16 CIPFA Code. The Code forms the requirements used to prepare local authority financial statements. The measurement and disclosure requirements of the Code apply to local authority assets and liabilities that are required or permitted by the Code to be measured at fair value. At the same time as issuing the 2015/16 Code CIPFA has also introduced the concept of current value, for the measurement of property, plant and equipment. Current Value uses a measurement these assets based on their service potential.
- In preparing the 2015/16 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 out external valuers. Based on this review the Council have decided that investments assets and under the IFRS requirements do not meet the definition of investment assets as they are not held purely for the generation of rental income or capital gain or a mixture of both.

NOTES TO THE *Core Financial Statements*

- Therefore Investment assets brought forward of £10.112 million have been transferred in year to Other Land and Buildings to reflect the change in the valuation estimate basis, and will not be disclosed separately on the face of the balance sheet. There is no significant impact on other elements of the financial statements. It is the Council's view that the change is a change in the estimation basis and that a prior period amendment is not required.
- 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 Code gives strict criteria for assets held as Investment Properties. For the Council, those assets which are held for rental purposes are classified as investment properties. The Council's Atkin's building has been deemed as an operational asset on the basis that it is used to a material extent to carry out Council operations.
- 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.
- The Council has been awarded Regional Growth Funds (RGF) for the development of the MIRA Enterprise Zone and surrounding road networks. Elements of this funding are spent directly by the Council with other amounts transferred to key partners to fund the project. The treatment of this funding has been reviewed in line with IAS18 and it has been judged that the Council is acting as a 'principal' in respect of directly incurred expenditure and an 'agent' for expenditure incurred by partners. Where the Council is acting as the 'principal', expenditure has been shown in the relevant line within the Comprehensive Income and Expenditure account and income has been treated as a "grant" and in accordance with the Council's accounting policies for these arrangements. Payments made as the 'agent' have been passed through the Balance Sheet. The nature of all balances relating to this scheme are outlined in the Narrative Report.
- In order to transfer the land held on the Crescent site to developers, a number of Compulsory Purchase Orders (CPO's) have taken place. On the basis that the Council is legally obliged to transfer land to the developer and has no rights over land during the transfer (which occurs simultaneously), no capital entries have been made with regards to these transactions. All transactions have been reflected as agency transactions in the balance sheet with corresponding debtors and creditors for payments not yet made. As part of this development, the Council has made a capital investment of £4 million in 2015/16 to acquire a designated block (Block C).
- Hinckley Squash & Rackets Club's former site is being developed on as part of the Bus Station Development. The club has received a CPO development receipt from the sale. This income has been forwarded to the Council to build a new squash facility. Once the build is completed the facility will be leased back to the club. As at 31/03/2016, the property's construction is completed. Substantial risks and rewards have passed to the Squash Club. A finance lease has commenced and the asset has been de-recognised. The liability to the Club has been extinguished, and any difference between the cost of building the asset and the proceeds from the Squash Club taken to the CIES as a gain /loss.

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 2016 for which there a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<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 £0.276 million

4. Material Items of Income and Expenses

Transactions relating to the Regional Growth Fund (RGF), whilst not material in 2015/16 have been detailed separately in order to provide a comparison to the exceptional item disclosed in 2014/15.

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 after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of 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 28 June 2016 by A. Wilson, Interim 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

2015/16

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment 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/amortisation of non current Assets	(3,325)	(1,467)	0	0	0	4,792
Revaluation (losses)/gains on Property Plant and Equipment	1,836	1,435	0	0	0	(3,271)
Revenue expenditure funded from capital under statute	(2,026)	0	0	0	0	2,026
Capital Expenditure Financed from Unapplied Grants and Contributions	766	0	0	0	0	(766)
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	(988)	(770)	(142)	0	0	1,900
Capital expenditure Charged to Fund Balances	49	0	0	0	0	(49)
<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	919	0	0	0	0	(919)
Adjustments Primarily Involving the Capital Grants Unapplied Account						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	525	0	0	0	(525)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	1,164	1,631	0	0	0	(2,795)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,377	(1,377)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	1,169	(1,169)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(430)	0	430	0	0	0

NOTES TO THE Core Financial Statements

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repair Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve (continued)						
Application of Capital Receipts to finance new Capital Expenditure	0	0	2,297	0	0	(2,297)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,007	0	(3,007)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,800	0	(2,800)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,326)	(403)	0	0	0	3,729
Employer's Pension contributions and direct payments to pensioners payable in the year	1,571	292	0	0	0	(1,863)
Capital Cost of Early Retirement	0	0	0	0	0	0
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	25	0	0	0	0	(25)
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	(312)	0	0	0	0	312
Adjustment involving the Accumulated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	5	0	0	0	0	(5)
Adjustment involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	3	0	0	0	0	(3)
TOTAL ADJUSTMENTS	(3,544)	4,894	1,416	(207)	852	3,411

NOTES TO THE Core Financial Statements

2014/15

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment 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/amortisation of non current Assets	(1,409)	(3,019)	0	0	0	4,428
Revaluation (losses)/gains on Property Plant and Equipment	(1,924)	20,871	0	0	0	(18,947)
Movement in the market value of Investment Properties	810	0	0	0	0	(810)
Revenue expenditure funded from capital under statute	(12,390)	0	0	0	0	12,390
Capital Expenditure Financed from Unapplied Grants and Contributions	1,291	0	0	0	0	(1,291)
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	(1,642)	(576)	0	0	0	2,218
Capital expenditure Charged to Fund Balances	63	0	0	0	0	(63)
<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	889	0	0	0	0	(889)
Adjustments Primarily Involving the Capital Grants Unapplied Account						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,366	0	0	0	(2,366)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	3,619	1,441	0	0	0	(5,060)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	10,592	(10,592)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		764	(767)	0	0	3
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	(1,035)	0	0	1,035

NOTES TO THE Core Financial Statements

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve (continued)						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(317)	0	317	0	0	0
Application of Capital Receipts to finance new Capital Expenditure	0	0	772	0	0	(772)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	2,124	0	(2,124)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,124	0	(2,124)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,867)	(290)	0	0	0	3,157
Employer's Pension contributions and direct payments to pensioners payable in the year	1,483	266	0	0	0	(1,749)
Capital Cost of Early Retirement	25	4	0	0	0	(29)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	78	0	0	0	0	(78)
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	(42)	0	0	0	0	42
Adjustment involving the Accumulated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	2	0	0	0	(17)
Adjustment involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	3	0	0	0	0	(3)
TOTAL ADJUSTMENTS	(9,949)	21,587	(713)	0	8,226	(19,151)

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 2015/16. In addition the note outlines balances of unapplied grants and contributions.

	Balance at 31st March 2014	Transfers out 2014/15	Transfers in 2014/15	Balance at 31st March 2015	Transfers out 2015/16	Transfers in 2015/16	Balance at 31st March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Commutation and Feasibility	126	(100)	0	26	0	0	26
Benefits	257	(115)	0	142	(83)	0	59
Local Plan Procedure	362	(499)	661	524	(13)	165	676
Land Charges	219	(219)	0	0	0	0	0
Pensions Contributions	134	0	28	162	0	0	162
Waste Management	263	(106)	485	642	(523)	155	274
ICT	212	0	0	212	(32)	0	180
Project Management/Masterplan	203	0	1,423	1,626	(365)	0	1,261
Housing and Planning Delivery Grant	61	(11)	0	50	(10)	0	40
Workforce Strategy	13	0	0	13	0	0	13
Elections	87	0	25	112	(46)	56	122
Grounds Maintenance Machinery Replacement	59	0	0	59	0	49	108
Transformation	29	(173)	250	106	(42)	100	164
Relocation	101	0	0	101	0	0	101
Special Expenses	318	(81)	64	301	(126)	0	175
Carry Forwards	217	(217)	100	100	(100)	205	205
Hub Future Rental Management	915	(1,183)	268	0	0	0	0
Business Rates Pooling	170	0	0	170	(136)	637	671
Leisure Centre	2,651	(3,369)	1,416	698	(698)	250	250
Troubled Families	30	(30)	0	0	0	0	0
Hinckley Club for Young People	5	0	0	5	0	5	10
Market Income Management	15	0	0	15	0	0	15
Car Parking Income	25	0	0	25	0	0	25
Appeals	0	(49)	221	172	(51)	101	222
Enforcement	0	(40)	134	94	0	20	114
Planning Capacity	0	(17)	100	83	0	0	83
City Deals	0	(16)	16	0	0	0	0
Total Earmarked Reserves	6,472	(6,225)	5,191	5,438	(2,225)	1,743	4,956
Unapplied Grants and Contributions	12,036	(10,756)	2,561	3,841	(2,034)	1,182	2,989
Total General Fund	18,508	(16,981)	7,752	9,279	(4,259)	2,925	7,945
Housing Revenue Account:							
HRA Piper Balance	135	(7)	10	138	0	14	152
HRA Communal Furniture	4	0	0	4	0	1	5
HRA Housing Repairs Account	483	0	214	697	(19)	0	678
Major Repairs Reserve	0	0	0	0	(2,800)	3,007	207
Regeneration	4,385	(1,425)	5,794	8,754	(1,631)	2,953	10,076
Repayment	1,900	(1,900)	0	0	0	0	0
Pension Contributions	29	0	0	29	0	0	29
Service Improvement	0	0	50	50	0	0	50
HRA Carry forwards	111	(111)	3	3	0	0	3

7. Transfers To/From Earmarked Reserves (continued)

Total HRA Earmarked Reserves	7,047	(3,443)	6,071	9,675	(6,926)	8,451	11,200
HRA Unapplied Grants and Contributions	36	(29)	0	7	0	0	7
Total Housing Revenue Account	7,083	(3,472)	6,071	9,682	(6,926)	8,451	11,207
TOTAL	25,591	(20,453)	13,823	18,961	(11,185)	11,376	19,152

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)

Hub Future Rental Management Reserve

Developer incentives received were transferred into this reserve to minimise the risk of future movement in rental indices which may impact the Council's expenditure on the new Hinckley Hub. During 2014/15 Council made the decision to apply this reserve to fund changes to the new leisure centre specification.

Special Expenses Reserve

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

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.

Business Rates Pooling 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.

Relocation Reserve

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

Leisure Centre Reserve

Reserve created to fund capital costs of new Leisure Centre in order to minimise levels of borrowing required for the scheme.

7. Transfers To/From Earmarked Reserves (continued)

Carry Forwards Reserve

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

Troubled Families Reserve

The Council agreed to make a cash investment of £90,000 towards the Leicestershire Troubled Families programme. This reserve has been released over a 3 year period to fund this scheme.

Land Charges Reserve

Reserve has been set aside to fund potential legal costs arising from land charge action against Local Authorities nationally.

ICT Reserve

This reserve was set up from the 2007/08 under spend on the ICT budget and will be used to further improve the ICT support service, in particular by upgrading the aging infrastructure and ICT costs associated with implementation of the Channel Shift Strategy.

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.

Project Management/Masterplan Reserve

At the present time the Council has an ambitious Capital Programme and is looking to facilitate the regeneration of Hinckley Town Centre through the Town Centre Renaissance Masterplan. This reserve is intended to provide project management support and resources to support the implementation of this plan.

Housing and Planning Delivery Grant Reserve

This reserve has been set up to carry forward receipts of Housing and 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 Replacement 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.

Pensions Contributions 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 2017.

Transformation Reserve

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

7. Transfers To/From Earmarked Reserves (continued)

City Deals

This reserve provided for the Council's contribution to the Coventry and Warwickshire City Deal in 2014/15

Hinckley Club for Young People Reserve

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

Market Income Management Reserve

This reserve will manage any fluctuations in market income which is decreasing in light of retail conditions.

Car Parking Income Reserve

Funds have been put aside to manage any fluctuations in car parking income arising as a result of the town centre redevelopment.

Appeals Reserve

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

Enforcement 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 the planning department (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.

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.

Repayment Reserve

Created to provide for potential early repayment of the HRA self financing debt

Service Improvement Reserve

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

NOTES TO THE *Core Financial Statements*

8. Other Operating Expenditure

	2015/16	2014/15
	£'000	£'000
(Gain)/ Losses on disposal of Non Current Assets	636	1,454
Amounts due to Precepting Authorities	1,535	1,454
Contribution to Housing pooled Capital Receipts	430	312
Total	2,601	3,220

9. Financing and Investment Income and Expenditure

	2015/16	2014/15
	£'000	£'000
Interest payable and similar charges *	2,854	2,926
Pension Interest Costs (see note 40)	2,794	3,139
Net Surplus of Undertakings (see note 28)	(678)	(646)
Interest and Investment Income	(212)	(204)
Expected return on pension assets (see note 40)	(1,549)	(1,799)
Revaluation of Investment Properties	0	(810)
Total	3,209	2,606

* - Interest payable in 2015/16 includes £2.088 million interest on HRA self financing loans

10. Taxation and Non Specific Grant Income

	2015/16	2014/15
	£'000	£'000
Demand on Collection Fund	(5,526)	(5,349)
Balance on Collection Fund	(548)	227
Revenue Support Grant	(1,121)	(1,961)
National Non Domestic Rates	(2,283)	(2,240)
New Homes Bonus	(1,982)	(1,402)
Council Tax Freeze Grant	(232)	(189)
Council Tax Support Grant	(545)	(545)
National Non Domestic Rates – Levy Payment	594	35
Total	(11,643)	(11,425)

NOTES TO THE *Core Financial Statements*

11. Property, Plant and Equipment

2015/16

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infra-Structure Assets	Community Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1st April 2015	128,937	21,093	6,932	1,506	4,561	4,241	167,270
Transfers	0	10,942	0	0	0	(830)	10,112
Additions	4,480	4,614	158	168	0	10,973	20,393
Revaluation							
Increases/(decreases) recognised in the Revaluation Reserve	0	4,485	0	0	0	0	4,485
Revaluation							
Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	31	697	0	0	0	0	728
Derecognition -Disposals	(882)	(1,018)	0	0	0	0	(1,900)
Other Movements in the cost of valuation	0	0	0	0	0	0	0
At 31st March 2016	132,566	40,813	7,090	1,674	4,561	14,384	201,088
Accumulated Depreciation and Impairment							
At 1st April 2015	0	0	(2,321)	(278)	0	0	(2,599)
Depreciation Charge	(1,407)	(2,620)	(597)	(56)	0	0	(4,680)
Depreciation written out to the Revaluation Reserve	0	1,482	0	0	0	0	1,482
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,407	1,138	0	0	0	0	2,545
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0
At 31st March 2016	0	0	(2,918)	(334)	0	0	(3,252)
Net Book Value							
At 31st March 2016	132,566	40,813	4,172	1,340	4,561	14,384	197,836
At 31st March 2015	128,937	21,093	4,611	1,228	4,561	4,241	164,671

NOTES TO THE Core Financial Statements

11. Property, Plant and Equipment (continued)

2014/15

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infra-Structure Assets	Community Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1st April 2014	107,889	25,732	10,133	2,011	4,369	37	150,171
Additions	3,645	144	304	0	192	4,204	8,489
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	0	(652)	0	0	0	0	(652)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	20,952	(2,054)	0	0	0	0	18,898
Derecognition -Disposals	(576)	(1,453)	(12)	0	0	0	(2,041)
Other Movements in the cost of valuation	(2,973)	(624)	(3,493)	(505)	0	0	(7,595)
At 31st March 2015	128,937	21,093	6,932	1,506	4,561	4,241	167,270
Accumulated Depreciation and Impairment							
At 1st April 2014	0	0	(5,169)	(725)	0	0	(5,894)
Depreciation Charge	(2,973)	(624)	(645)	(56)	0	0	(4,298)
Depreciation written out to the Revaluation Reserve	0	(86)	0	0	0	0	(86)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	86	0	0	0	0	86
Other Movements in Depreciation and Impairment	2,973	624	3,493	503	0	0	7,593
At 31st March 2015	0	0	(2,321)	(278)	0	0	(2,599)
Net Book Value							
At 31st March 2015	128,937	21,093	4,611	1,228	4,561	4,241	164,671
At 31st March 2014	107,889	25,732	4,964	1,286	4,369	37	144,277

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 80 years but with a minimum residual life of 20 years to reflect enhancements as the Council is at Decent Homes Standard.
Land	Not depreciated.
Operational Buildings	Residual lives provided by the valuer in report of 31st March 2016. Depreciation in 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.
Non-Operational Investment Assets	Not depreciated
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 2016, the Council had capital commitments of £0.569 million relating in the main to construction of the new leisure centre.

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 2016. 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.

Effects of changes in Estimates

In 2015/16 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

NOTES TO THE *Core Financial Statements*

12. Investment Property

As at the 31 March 2016 Investment properties have been reclassified and are now included within property, plant and equipment:

	2015/16	2014/15
	£'000	£'000
Income from investment property including capital grant credited to the Comprehensive Income and Expenditure Statement but appropriated to Reserves	0	(670)
Direct operating expenses arising from investment property	0	(585)
Net (Gain)/Loss	0	(1,255)

There are no restrictions on the Council's ability to realise the value inherent in Investment Property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The value of investment property held on the Balance Sheet is as follows:

	2015/16	2014/15
	£'000	£'000
Opening Balance	10,113	9,483
Additions:		
Disposals	0	(180)
Reclassification to PPE	(10,113)	0
Net Gains/(Losses) from current value adjustments	0	810
Closing Balance	0	10,113

In preparing the 2015/16 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 out external valuers. Based on this review the Council have decided that investments assets and under the IFRS requirements do not meet the definition of investment assets as they are not held purely for the generation of rental income or capital gain or a mixture of both. Therefore Investment assets brought forward of £10.113 million have been transferred in year to Other Land and Buildings.

13. 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.

	2015/16	2014/15
	£'000	£'000
Opening Balance	121	121
Closing Balance	121	121

NOTES TO THE *Core Financial Statements*

14. 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 lives 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 £0.111 million charged to revenue in 2015/16 was charged to IT Administration cost centre 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:

	2015/16 £'000	2014/15 £'000
Opening Balance		
Gross carrying amounts	3,416	3,408
Accumulated amortisation	(3,163)	(3,033)
Net carrying amount – Opening Balance	253	375
Additions	664	8
Amortisation for the period	(111)	(130)
Gross Carrying Amounts written off in year	0	(2,629)
Accumulated amortisation written back in the year	0	2,629
Net carrying amount – Movements in Year	553	(122)
Closing Balance:		
Gross Carrying amounts	4,080	3,416
Accumulated amortisation	(3,274)	(3,163)
Net carrying amount - Closing Balance	806	253

15. Inventories

	2015/16 £'000	2014/15 £'000
Inventories	4	6

Inventories are valued on a First In First Out (FIFO) basis and relate to consumables.

NOTES TO THE *Core Financial Statements*

16. Cash and Cash Equivalents

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

	2015/16	2014/15
	£'000	£'000
Cash held by the Council	0	1
Bank Current Accounts	(816)	(253)
Short-term deposits with Building Society/Banks	7,375	7,861
Regional Growth Funding – short-term deposit *	588	1,909
Total Cash and Cash Equivalents held on Balance Sheet	7,147	9,518

* This balance relates to cash held in the bank at year end relating to Regional Growth Funding. The nature of all balances relating to this scheme are outlined in the.

17. Investments

The Council's investments are detailed below:

	2015/16	2014/15
	£'000	£'000
Loan to Tin Hat Regeneration Partnership (< 1 Year)	0	7,000
Other Short Term Investments < 1 Year	0	3,650
Long Term Investments > 1 Year	0	0
Total Investments	0	10,650

Council deposits amounting to £7.375m in money market accounts at 31st March 2016 were being held for maturity for a period less than 3 months from the date of acquisition and have been classified as Cash and Cash Equivalents.

18. Long Term Receivables

The value of Long Term Receivables as at 31st March is:

	2015/16	2014/15
	£'000	£'000
North West Leicestershire District Council	118	126
Hinckley Museum	5	0
Car Loans to Employees	42	26
Total Long Term Receivables	165	152

NOTES TO THE *Core Financial Statements*

19. Short Term Receivables

The value of Short Term Receivables as at 31st March is:

	2015/16 £'000	2014/15 £'000
Car Loans to Employees	16	13
Cycle Loans to Employees	0	1
Rail Season Ticket Loan	0	1
Central Government Bodies	1,025	766
Other Local Authorities	859	220
Housing rent	574	349
Sundry debtors	2,499	2,474
Crescent Development – Compulsory Purchase Order *	0	1,114
Council Tax, Community Charge and NNDR	3,724	2,746
Prepayments	279	627
Provision for Doubtful Debts	(1,809)	(1,229)
Total Short Term Receivables	7,167	7,082

20. Short and Long Term Payables

	2015/16 £'000	2014/15 £'000
<i>Short Term Payables</i>		
S106 & Play and Open Spaces	78	610
Inland Revenue	0	202
Other Local Authorities	318	119
Deferred income – Green bins	477	0
Housing Rents	97	100
Department for Energy and Climate Change *	0	129
Regional Growth Funding *	151	235
Sundry Creditors	3,320	2,792
Crescent Development – Compulsory Purchase Order **	0	1,114
Amount set aside for future squash club liability***	0	878
Bus Station – Compulsory Purchase Order	1,609	0
Central Government Bodies	1,228	290
Council Tax and National Non Domestic Rates	3,109	3,037
Total Short Term Payables	10,387	9,506
<i>Long Term Payables</i>		
Section 106	1,403	847
Play and Open Space	1,428	396
Total Payables	13,218	10,749

* These balances relate to elements of funding received in year which will be transferred to other bodies in 2015/16. The nature of all balances relating to these schemes are outlined in the Narrative Report

** This balance relates to the remaining Compulsory Purchase Order payments due to land owners on the Crescent site as at 31st March 2015. A corresponding debtor's balance is shown in note 19.

NOTES TO THE Core Financial Statements

20. Short and Long Term Payables (continued)

*** This balance relates to payments received in advance for the future liability that will be extinguished when the Squash Club is transferred upon completion in 2015/16.

Included within the balance of Sundry Creditors are amounts that the Council holds in respect of Section 106 contributions from developers that are made for infrastructure provision/improvement as a result of developments they have received planning consent for. If the necessary provision/improvement is not made within the period of time specified in the Consent and associated agreement then the contribution is returned to the developer. An analysis of the amount held as at 31st March is set out below.

	2015/16			2014/15		
	Repayable in less than 1 year £'000	Repayable in more than 1 year £'000	Total £'000	Repayable in less than 1 year £'000	Repayable in more than 1 year £'000	Total £'000
Section 106	76	1,403	1,479	232	847	1,079
Play and Open Space	2	1,428	1,430	378	396	774
Total	78	2,831	2,909	610	1,243	1,853

21. Short Term Provisions

	Capital Cost of Early Retirement Provision £'000	Redundancy Cost Provision £'000	Planning Appeal Provision £'000	Business Rate Appeals Provision £'000	Land Charges Litigation £'000	Total £'000
Balance at 1st April 2015	25	109	7	336	164	641
Additional provisions arising in the year	12	0	50	327	0	389
Amounts used during the year	(4)	(109)	(7)	(134)	(164)	(418)
Unused amounts reversed in year	0	0	0	0	0	0
At 31st March 2016	33	0	50	529	0	612

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 five provisions, details of which are set out below:

- Capital Cost of Early Retirement – when an employee leaves the employment of the Council before their normal retirement date and receives immediate payment of their pension benefits there is an actuarial strain on the Pension Fund. Where the retirement is 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, Pension Scheme Regulations allow employers to make equal annual

NOTES TO THE *Core Financial Statements*

21. Short Term Provisions (*continued*)

- Payments over a period of up to 5 years and the timing of outflows from this provision will be made in line with the agreed period. This provision represents the unexpended amount of the liability.
- Redundancy Cost – International Financial Reporting Standards require that the cost of redundancy terminations are recognised in the accounts when it becomes certain that they will occur and when they can be quantified. Where terminations are approved in one financial year but will not occur until the next an estimate of the costs is recognised in the year of account the redundancy is approved and shown as a provision in the accounts. The provision will be utilised when the redundancy occurs and payments made to the employee.
- 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.

22. Other Long term Liabilities

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

	31st March 2016 £'000	31st March 2015 £'000
Pensions Liability (see note 40)	27,670	38,603
Finance lease liabilities (see note 36)	8,701	9,099
Total Long Term Liabilities	36,371	47,702

23. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in notes 6 and 7.

NOTES TO THE *Core Financial Statements*

24. 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:

	31st March 2016 £'000	31st March 2015 £'000
Revaluation Reserve	(9,635)	(3,746)
Capital Adjustment Account	(83,192)	(77,558)
Financial Instrument Adjustment Account	16	19
Deferred Capital Receipts Reserve	0	0
Collection Fund Adjustment Account – Council Tax	(149)	(124)
Collection Fund Adjustment Account – NNDR	400	88
Pension Fund Reserve	27,670	38,603
Accumulated Absences Adjustment Account	126	131
Total Unusable Reserves	(64,764)	(42,587)

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.

2014/15 £'000		2015/16 £'000
(4,853)	Balance at 1st April	(3,746)
(1,897)	Upward revaluation of assets	(6,167)
2,550	Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the provision of services	200
367	Accumulated gains on assets sold or scrapped/ written off to the Capital Adjustment Account	0
87	Write down to reflect the consumption of revaluation gains through depreciation	78
(3,746)	Balance at 31st March	(9,635)

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.

NOTES TO THE *Core Financial Statements*

24. Unusable Reserves (continued)

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.

2014/15 £'000		2015/16 £'000	£'000
(55,596)	Balance at 1st April		(77,558)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:</i>		
4,427	Charges for depreciation and impairment of non current Assets	4,792	
(18,995)	Revaluation losses/gains on Property, Plant and Equipment	(3,273)	
12,390	Revenue expenditure funded from Capital under statute	2,026	
1,950	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	1,900	
(228)			5,445
(86)	Adjusting amounts written out of the revaluation reserve		(78)
(314)			5,367
	<i>Capital financing applied in the year:</i>		
(772)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,298)	
(2,124)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,800)	
(1,403)	Capital grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	(766)	
(10,590)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,377)	
(889)	Statutory provisions for financing of capital investment charged against the General Fund and HRA balances	(919)	
(5,060)	Capital expenditure charged against the General Fund and HRA balances	(2,841)	
(20,838)			(11,001)
(810)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
(77,558)	Balance at 31st March		(83,192)

24. Unusable Reserves (continued)

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.

2014/15		2015/16
£'000		£'000
22	Balance at 1st April	19
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance	0
<u>0</u>		<u>0</u>
(3)	Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance to statutory requirements	(3)
<u>19</u>	Balance at 31st March	<u>16</u>

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2014/15		2015/16
£'000		£'000
(1,035)	Balance at 1st April	0
1,035	Transfer of deferred sale proceeds credited as part of gain on disposal to the Comprehensive Income and Expenditure Statement	0
<u>0</u>	Balance at 31st March	<u>0</u>

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.

2014/15		2015/16
£'000		£'000
2	Balance at 1st April	(36)
(80)	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 to Statutory requirements	(25)
42	Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance to Statutory requirements	312
<u>(36)</u>	Balance at 31st March	<u>251</u>

24. 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.

2014/15		2015/16
£'000		£'000
31,171	Balance at 1st April	38,603
6,053	Actuarial gains and losses on pensions assets and liabilities	(12,799)
3,157	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement	3,729
(1,749)	Employers pension contributions and direct payments to pensioners payable in the year	(1,863)
(29)	Capital cost of early retirement	0
38,603	Balance at 31st March	27,670

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.

2014/15		2015/16
£'000		£'000
148	Balance at 1st April	131
(148)	Settlement or cancellation of accrual made at the end of the preceding year	(131)
131	Amounts accrued at the end of the current year	126
131	Balance at 31st March	126

25. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2014/15		2015/16
£'000		£'000
(204)	Interest Received (See note 9)	(212)
2,926	Interest Paid (See note 9)	2,854

NOTES TO THE *Core Financial Statements*

26. Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

2014/15		2015/16
£'000		£'000
191,647	Purchase of short-term and long-term investments	239,317
7,283	Purchase of property, plant and equipment, investment property and intangible assets	20,743
(770)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(2,234)
(180,997)	Proceeds from short-term and long-term investments	(249,967)
0	Other proceeds not in above	0
17,163	Net cash flows from investing activities	7,859

27. Cash Flow Statement – Financing Activities

2014/15		2015/16
£'000		£'000
(15,000)	Cash Receipts from short and long term borrowing	(7,600)
288	Cash payments for the reduction of outstanding liabilities relating to Finance Leases	398
8,000	Repayment of short and long term borrowing	9,600
(618)	Other Payments not in above	0
(7,330)	Net cash flows from financing activities	2,398

28. Trading Operations

The Council operated the following trading services in 2015/16 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.

NOTES TO THE *Core Financial Statements*

28. Trading Operations (continued)

	2015/16 Income	2015/16 Expenditure	2015/16 (Surplus)/ Deficit	2014/15 (Surplus)/ Deficit
	£'000	£'000	£'000	£'000
Markets	(131)	178	47	42
Industrial Estates	(695)	190	(505)	(1,255)
Grounds Maintenance DSO	(1,021)	833	(188)	(175)
Housing Repairs DSO	(1,496)	1,464	(32)	(74)
External Painting	(107)	107	0	6
Net Surplus on ordinary activities	(3,450)	2,772	(678)	(1,456)
Market Value Impairment			0	810
Net (surplus)/deficit reported in Financing and Investment Income and Expenditure (note 9)			(678)	(646)

29. Members' Allowances

Total members' allowances paid in 2015/16 were £207,299 (2014/15 - £166,506) and £7,790 were paid for members' expenses (2014/15 - £6,022).

30. External Audit Costs

In 2015/16 Hinckley and Bosworth Borough Council incurred the following fees relating to external audit and inspection:

	2015/16 £'000	2014/15 £'000
Fees payable to Ernst & Young LLP with regards to external audit services carried out by the appointed auditor	50	0
Fees payable to the PricewaterhouseCoopers LLP with regards to external audit services carried out by the appointed auditor	4	66
Fees payable to Ernst & Young LLP for the certification of grant claims and returns	15	0
Fees payable to the PricewaterhouseCoopers LLP for the certification of grant claims and returns	22	19
Rebate received from The Audit Commission	0	(7)
Total fees payable	91	78

2015/16 is the first year of Ernst & Young appointment as External Auditors.

In 2014/15 PricewaterhouseCoopers LLP (PWC) provided £3,250 of non audit services to the Council for VAT advice relating to capital projects. Adequate safeguards were put in place to maintain independence.

All non audit work undertaken has been reported to the Finance, Audit and Performance Committee as "those charged with governance".

NOTES TO THE *Core Financial Statements*

31. Grant Income

		2015/16 £'000	2014/15 £'000
The	Credited to Taxation and Non Specific Grant Income: (see Note 10)		
	Revenue Support Grant	1,121	1,961
	New Homes Bonus	1,982	1,402
	Council Tax Freeze Grant	232	189
	Council Tax Support Grant	545	545
	Total	3,880	4,097
	Credited to Services:		
	Disabled Facilities	251	194
	Waste and Recycling	457	1,014
	Regional Growth Funding	0	1,107
	Homelessness	49	49
	Housing Benefit Administration	396	450
	Benefit Reimbursements	18,469	17,946
	Council Tax Admin Grant	20	0
	Locality Partnership (Sure Start)	0	284
	Community Safety	39	41
	Sports Grants	246	414
	Play and Open Space	686	650
	Elections	153	143
	NNDR Cost of Collection	124	125
	Supporting People and other HRA grants	0	398
	Planning Site Delivery Fund	15	25
	Homes and Communities Agency	55	187
	Universal Credit	34	0
	New Burdens	189	83
	Business Rates Retention	722	675
	Planning Aid	30	0
	Transformation Funding	694	0
	DECC	141	0
	Warm Homes	0	54
	Planning Policy	0	4
	Other	13	6
	Total	22,783	23,849
	Total	26,663	27,946

council has £17,106 of income held as a capital grant received in advance. £11,056 of this relates to a grant from the East Midlands Development Agency which is yet to be recognised as income as it has conditions attached that will require the monies to be returned to the giver.

32. 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 statutory framework within the Council operates 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).

Other Local Authorities, most notably Leicestershire County Council (LCC) also provide significant levels of income to the Council and charges are made in return. Total income received from LCC was £0.745 million. Primal expenditure including precept payments was £38.6 million (£36.9 million 2014/15).

The details of Government Grants received are detailed in note 31. Employer's contributions paid to the Pension Fund are shown in note 40. Receivables and payables to other Local Authorities are detailed in notes 19 and 20.

There are no material transactions or evidence suggesting undue influence in relation to Members or Officers.

33. 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

	2015/16 £'000	2014/15 £'000
Opening Capital Financing Requirement	94,105	94,889
Capital Investment		
Property Plant and Equipment	21,056	8,489
Investment Properties	0	0
Intangible Assets	0	8
Revenue Expenditure funded from Capital under Statute	2,026	12,390
Total Expenditure in year	<u>23,082</u>	<u>20,887</u>
Internal Financing of Capital Expenditure		
Application of Usable Capital Receipts	(2,239)	(772)
Application Capital Grants Contributions/ Reserves	(7,544)	(12,048)
Capital Financed from Revenue	(1,218)	(7,980)
Future Capital Receipts	(187)	(871)
Total Internal Financing	<u>(11,188)</u>	<u>(21,671)</u>
Closing Capital Financing Requirement	<u>105,999</u>	<u>94,105</u>
Explanation of Movements in year:		
Unsupported Financial Assistance	(12,813)	(1,674)
Minimum revenue provision	919	890
Increase in Capital Financing Requirement	<u>(11,894)</u>	<u>(784)</u>

NOTES TO THE *Core Financial Statements*

34. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Strategic Leadership Board (SLB) on the basis of the budget reports analysed across the services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year; and
- Support service recharges are excluded for internal reporting for services.

Income and Expenditure Analysis 2015/16

	Leisure and Environment	Planning	DSO	Central Services to public	Support Services	Housing General Fund	Housing Revenue	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(1,117)	(2,986)	(2,625)	(259)	(1,405)	(590)	(14,119)	(23,101)
Other Government Grants	(775)	(179)	0	(1,181)	(1,245)	(18,876)	(58)	(22,314)
Total Income	(1,892)	(3,165)	(2,625)	(1,440)	(2,650)	(19,466)	(14,177)	(45,415)
Employee expenses	3,566	1,826	1,343	498	3,033	396	1,829	12,491
Other service expenses	3,607	3,030	895	1,878	4,995	19,847	6,296	40,548
Total Expenditure	7,173	4,856	2,238	2,376	8,028	20,243	8,125	53,039
Net Expenditure	5,281	1,691	-387	936	5,378	777	(6,052)	7,624

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15 £'000		2015/16 £'000
16,621	Net Expenditure in the Directorate analysis	7,624
(2,096)	Net expenditure of services and support services not included in the analysis	(3,384)
(20,661)	Amounts in the Comprehensive Income and Expenditure Statement not reported to the management analysis	(1,158)
(6,136)	Cost of services in Comprehensive Income and Expenditure Statement	3,082

NOTES TO THE Core Financial Statements

34. Amounts Reported for Resource Allocation Decisions (continued)

2015/16 Reconciliation to Subjective Analysis

	Directorate Analysis	Net expenditure of services and support services not included in the analysis	Amounts in the Comprehensive Income and Expenditure Statement not reported to the Management Analysis	Additional Segments not included in analysis but included in income and expenditure statement	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(23,100)	0	0	1,385	(21,715)	(3,451)	(25,166)
Interest and Investment income	0	0	0	0	0	(212)	(212)
Expected Return on Pension Assets	0	0	0	0	0	(1,549)	(1,549)
Government Grants and Contributions	(22,315)	0	(1,260)	0	(23,575)	0	(23,575)
Income From Council Tax	0	0	0	0	0	(11,642)	(11,642)
Total Income	(45,415)	0	(1,260)	1,385	(45,290)	(16,854)	(62,144)
Employee expenses	12,491	0	4	(1,399)	11,096	1,399	12,495
Other service expenses	40,548	0	(595)	(1,026)	38,927	1,373	40,300
Depreciation, amortisation and impairment	0	0	15	(40)	(25)	0	-25
Support services recharges	0	(1,285)		1,758	473	0	473
Interest Payments	0	(2,099)	0	0	(2,099)	2,854	755
Pension Interest Costs	0	0	0	0	0	2,794	2,794
Precepts and Levies	0	0	0	0	0	1,535	1,535
Payments to Housing Capital Receipts Pool	0	0	0	0	0	430	430
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	588	588
Total Expenditure	53,039	(3,384)	(576)	(707)	48,372	10,973	59,345
Surplus or Deficit on the provision of services	7,624	(3,384)	(1,836)	678	3,082	(5,881)	(2,799)

NOTES TO THE *Core Financial Statements*

34. Amounts Reported for Resource Allocation Decisions (continued)

Income and Expenditure Analysis 2014/15

	Leisure and Environment £'000	Planning £'000	DSO £'000	Central Services to public £'000	Support Services £'000	Housing General Fund £'000	Housing Revenue £'000	Total £'000
Fees, charges and other service income	(1,145)	(3,239)	(1,448)	(2,643)	(318)	(391)	(12,624)	(21,808)
Other Government Grants	(1,729)	(5,495)	(1,255)	0	(1,254)	(18,646)	0	(28,379)
Total Income	(2,874)	(8,734)	(2,703)	(2,643)	(1,572)	(19,037)	(12,624)	(50,187)
Employee expenses	3,306	1,593	2,865	1,343	677	363	1,239	11,386
Other service expenses	4,371	17,238	4,717	900	2,457	19,217	6,522	55,422
Total Expenditure	7,677	18,831	7,582	2,243	3,134	19,580	7,761	66,808
Net Expenditure	4,803	10,097	4,879	(400)	1,562	543	(4,863)	16,621

34. Amounts Reported for Resource Allocation Decisions (continued)

2014/15 Reconciliation to Subjective Analysis

	Directorate Analysis	Net expenditure of services and support services not included in the analysis	Amounts in the Comprehensive Income and Expenditure Statement not reported to the Management Analysis	Additional Segments not included in analysis but included in income and expenditure statement	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(21,808)	0	(3,220)	1,415	(23,613)	(3,467)	(27,080)
Interest and Investment income	0	0	0	0	0	(204)	(204)
Expected Return on Pension Assets	0	0	0	0	0	(1,799)	(1,799)
Government Grants and Contributions	(28,379)	0	0	0	(28,379)	0	(28,379)
Income From Council Tax	0	0	0	0	0	(11,579)	(11,579)
Total Income	(50,187)	0	(3,220)	1,415	(51,992)	(17,049)	(69,041)
Employee expenses	11,386	0	(13)	(1,418)	9,955	1,418	11,373
Other service expenses	55,422	0	(281)	(1,135)	54,006	1,403	55,409
Depreciation, amortisation and impairment	0	0	(16,494)	783	(15,711)	0	(15,711)
Support services recharges	0	0	0	(298)	(298)	(810)	(1,108)
Interest Payments	0	(2,096)	0	0	(2,096)	2,926	830
Pension Interest Costs	0	0	0	0	0	3,139	3,139
Precepts and Levies	0	0	0	0	0	1,454	1,454
Payments to Housing Capital Receipts Pool	0	0	0	0	0	312	312
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	1,454	1,454
Total Expenditure	66,808	(2,096)	(16,788)	(2,068)	45,856	11,296	57,152
Surplus or Deficit on the provision of services	16,621	(2,096)	(20,008)	(653)	(6,136)	(5,598)	(11,734)

NOTES TO THE Core Financial Statements

35. 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	2015/16	2014/15
	Number of employees	Number of employees
£50,000 - £54,999	4	1
£55,000 - £59,999	3	4
£60,000 - £64,999	2	0
£65,000 - £69,999	1	1

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)	Bonuses	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 (Steve Atkinson)	2014/15	136,712	0	0	0	0	136,712	22,421	159,133
	2015/16	136,712	0	0	0	0	136,712	23,651	160,363
Deputy Chief Executive Community Direction	2014/15	95,231	0	0	0	0	95,231	15,618	110,849
	2015/16	97,612	0	0	0	0	97,612	16,882	114,494
Deputy Chief Executive Corporate Direction	2014/15	95,231	0	0	0	0	95,231	15,618	110,849
	2015/16	97,612	0	0	0	0	97,612	16,882	114,494
Chief Officer - Corporate Governance & Customer Engagement	2014/15	14,704	0	0	47,632	0	62,336	1,192	63,528
	2015/16	0	0	0	0	0	0	0	0
Chief Officer - Housing, Community Safety & Partnerships	2014/15	67,838	0	0	0	0	67,838	11,125	78,963
	2015/16	68,850	0	0	0	0	68,850	11,911	80,761
Chief Officer - Environmental Health	2014/15	67,838	0	0	0	0	67,838	11,125	78,963
	2015/16	68,850	0	0	0	0	68,850	11,911	80,761
*Chief Officer - Corporate Governance & Housing Repairs	2014/15	67,838	0	0	0	0	67,838	11,125	78,963
	2015/16	71,050	0	0	0	0	71,050	12,292	83,342
**Chief Officer – Finance, Customer Services & Compliance	2014/15	53,160	0	0	0	0	53,160	8,718	61,878
	2015/16	63,879	0	0	0	0	63,879	10,125	74,004

NOTES TO THE *Core Financial Statements*

35. 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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £	2014/15 £
£0 - £20,000	0	0	8	10	8	10	81,528	95,728
£20,001 – £40,000	0	0	0	4	0	4	0	108,239
£40,001-£60,000	0	0	0	2	0	2	0	95,972
Total	0	0	8	16	8	16	81,528	299,939

The total cost of £81,528 in the above table includes £11,906 of capital costs for early retirement relating to these agreements.

36. 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:

	31st March 2016 £'000	31st March 2015 £'000
Other Land and Buildings	6,831	6,759
Vehicles, Plant, Furniture and Equipment	1,360	1,353
Total Value	8,191	8,112

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:

	2015/16 £'000	2014/15 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	431	405
Non Current	8,270	8,694
Finance Costs payable in future years	12,196	12,805
Minimum Lease Payments	20,897	21,904

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'000	31st March 2015 £'000
Within One year	1,004	1,002	431	405
Between one and five years	2,875	3,276	769	1,096
After five years	17,018	17,626	7,501	7,598
Total	20,897	21,904	8,701	9,099

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 2015/16 was £1,179,146 (£1,136,311 2014/15).

Lease payments due

	2015/16 £'000	2014/15 £'000
Not later than one year	1,405	1,211
Later than one year and not later than five years	6,674	5,218
	8,079	6,429

37. Impairment Review

During 2015/16, 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 £0.502 million in the Comprehensive Income and Expenditure Statement split as follows:

	2015/16	2014/15
	£'000	£'000
Property Plant and Equipment	502	3,581
Investment Property	0	0
Total Impairment Loss	502	3,581

38. Capitalisation of Borrowing Costs

No borrowing costs have been capitalised in the year. (£nil in 2014/15)

39. Termination Benefits

The Council made payments relating to voluntary redundancy/exit packages to employees in 2015/16 totalling £76,868 (£166,001 in 2014/15) and incurred capital costs of early retirement amounting to £11,906 (£15,704 in 2014/15). No compulsory redundancies were made. In addition to this amount, the total cost of exit packages included in note 35 includes £4,660 of payments for arrangements that had been agreed as at 31st March 2016 but were not paid until 2016/17 (£nil in 2014/15). The amounts have been disclosed as provisions in note 21.

40. 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, defined benefit, 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.

Payments to the Pension Fund

It is budgeted that the Council will pay Leicestershire County Council £1.788 million in employer's pension contributions in the year 2016/17.

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:

40. Pensions and Retirement Benefits (continued)

Income and Expenditure Account

Local Government Pension Scheme

Income and Expenditure Account	2015/16 £'000	2014/15 £'000
Net Cost of Service		
Current Service Cost	2,441	1,797
Past Service Cost (Gain)	26	4
Effect of Curtailments/Settlements	0	0
Administration Expenses	17	16
Net Operating Expenditure		
Pension Interest Costs	2,794	3,139
Expected return on Assets	(1,549)	(1,799)
Net Interest Cost	1,245	1,340
Total charged to Comprehensive Income and Expenditure Statement	3,729	3,157
Statement of Movement on the General Fund Balance		
(Reversal of) Net Charges Made for Retirement Benefits in Accordance with IAS19	(3,729)	(3,157)
Actual Amount Charged Against General Fund Balance for Pensions in Year	1,779	1,665

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £12.799 million (2014/15 losses of £6.053 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 2016 is £21,862 million (£34.661million to 31st March 2015).

Local Government Pension Scheme

Balance Sheet Recognition	31st March 2016 £'000	31st March 2015 £'000
Present value of the defined benefit obligation	76,483	86,974
Fair value of plan assets	(48,813)	(48,371)
Net liability arising from defined benefit obligation	27,670	38,603

40. Pensions and Retirement Benefits (continued)

Assets and Liabilities in Relation to Retirement Benefits

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

	Local Government Pension Scheme			
	2015/16	2015/16	2014/15	2014/15
	Unfunded	Funded	Unfunded	Funded
	£'000	£'000	£'000	£'000
Fair value of plan assets at 1 April	0	48,371	0	42,031
Interest on plan assets	0	1,549	0	1,799
Remeasurements (assets)	0	(1,190)	0	4,868
Business Combinations	0	0	0	0
Settlements	0	0	0	0
Employer contributions	84	1,779	84	1,665
Member contributions	0	549	0	539
Benefits/transfers paid	(84)	(2,245)	(84)	(2,531)
Fair Value of plan assets as at 31 March	0	48,813	0	48,371

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

	Local Government Pension Scheme			
	2015/16	2015/16	2014/15	2014/15
	Unfunded	Funded	Unfunded	Funded
	£'000	£'000	£'000	£'000
Benefit obligation at 1 April	1,434	85,540	1,354	71,819
Current service cost	0	2,441	0	1,797
Interest on pension liabilities	0	2,794	0	3,139
Member contributions	0	549	0	539
Past service cost (gain)	0	26	0	4
Remeasurements (liabilities)	(54)	(13,935)	164	10,757
Benefits/transfers paid	(84)	(2,245)	(84)	(2,531)
Administration expenses	0	17	0	16
Benefit obligation as at 31 March	1,296	75,187	1,434	85,540

NOTES TO THE *Core Financial Statements*

40. Pensions and Retirement Benefits (continued)

Local Government Pension Scheme Assets comprised:

Local Government Pension Scheme Assets		
Asset Category	31st March 2016 £'000	31st March 2015 £'000
Cash & Cash Equivalents	976	485
Equity Instruments		
Other	1,334	1,501
Bonds		
Government	2,577	2,654
Other	2,009	1,989
Property		
UK Property	4,971	4,584
Private Equity		
All	1,874	1,835
Other Investment Funds		
Equities	23,948	24,389
Bonds	5,253	4,506
Hedge Funds	2,215	2,099
Commodities	1,049	2,032
Infrastructure	1,275	1,140
Other	1,350	887
Derivatives	(18)	270
Total	48,813	48,371

Scheme History

	31st March 2016 £'000	31st March 2015 £'000	31st March 2014 £'000	31st March 2013 £'000	31st March 2012 £'000	31st March 2011 £'000
Present Value of Scheme Liabilities	(76,483)	(86,974)	(73,173)	(64,713)	(55,299)	(49,562)
Fair Value of Scheme Assets	48,813	48,371	42,031	39,526	34,779	34,690
Net (Liability)/ Asset	(27,670)	(38,603)	(31,142)	(25,187)	(20,520)	(14,872)

40. 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 2016 Per Annum	31st March 2015 Per Annum
Pension Increase Rate	2.2%	2.4%
Rate of Increase in Salaries	3.2%	4.3%
Rate for Discounting Scheme Liabilities	3.5%	3.2%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting year and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In 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 2016	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	7,967
1 year increase in member life expectancy	3%	2,294
0.5% increase in the Salary Increase Rate	3%	2,290
0.5% increase in the Pension Increase Rate	7%	5,581

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 2015. A roll forward valuation is performed by the actuary in the years between full valuations.

The scheme will need to take 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*

41. Financial Instruments

Financial Instruments Balances

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

£000s	Long-Term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Borrowings				
Financial liabilities	75,952	70,952	0	7,000
Accrued Interest	0	0	6	10
+/- Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost (1)	75,952	70,952	6	7,010
Financial liabilities at fair value through profit or loss (2)	0	0	0	0
Total included in borrowings	75,952	70,952	6	7,010
Other Long term Liabilities				
Finance lease liabilities	8,270	8,694	431	405
Total other long term liabilities	8,270	8,694	431	405
Creditors				
Financial liabilities at amortised cost	2,831	1,243	7,277	5,544
Total creditors	2,831	1,243	7,277	5,544
Soft loans received (3)	0	0	0	0
Investments				
Loans and receivables (principal amount)	0	0	0	10,650
+ Accrued interest	0	0	1	145

41. Financial Instruments (continued)

£000s	Long-Term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Loans and receivables at amortised cost (1)	0	0	1	10,795
Total investments	0	0	1	10,795
Debtors				
Loans and receivables	165	152	3,164	4,018
Total debtors	165	152	3,164	4,018
Soft loans provided (3)	42	26	16	13

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

Note 2 – Fair value has been measured by:

- Direct reference to published by price quotations in an active market; and/or
- Estimating using a valuation technique

Note 3 – The Council has made loans to staff under the assisted car/cycle and season ticket purchase schemes at less than market rates (soft loans). In addition loans were made to the Hinckley Museum and Atkins Cafe to cover repairs to the property and equipment but these have been repaid in full in year. 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 at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge is made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

NOTES TO THE *Core Financial Statements*

41. 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:

2015/16

	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest expense	2,854	0	2,854
Interest Income	0	(212)	(212)
Net (gain)/loss for the year	2,854	(212)	2,642

2014/15

	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest expense	2,926	0	2,926
Interest income	0	(204)	(204)
Net loss/(gain) for the year	2,926	(204)	2,722

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

41. Financial Instruments (continued)

The fair values calculated are as follows:

Financial Liabilities £000s	31 March 2016		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	75,952	91,717	70,952	84,901
Short term Borrowing	0	0	7,000	7,022
Short term creditors	7,277	7,277	5,544	5,544
Short term finance lease liability	431	431	405	405
Long term creditors	2,831	2,831	1,243	1,243
Long term finance lease liability	8,270	8,270	8,694	8,694
Total Liabilities	94,761	110,526	93,838	107,809

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.

£000s	31 March 2016		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Short term investments	0	0	10,650	10,650
Short term debtors	3,164	3,164	4,018	4,018
Long term debtors	165	165	152	152
Total Assets	3,329	3,329	14,820	14,820

Disclosure of nature and extent of risk arising from Financial Instruments

41. Financial Instruments (continued)

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.

The annual Treasury Management Strategy for 2015/16 which incorporates the Prudential Indicators was approved by Council on 18 February 2016 and is available on the Council website. The key points within the Strategy were:

- The Authorised Limit for 2015/16 was set at £109.810 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £107.215 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 £105,033 million and £31,509million based on the Council's net debt.

41. Financial Instruments (continued)

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 2016 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.

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

	General Receivables 31st March 2016 £'000	General Receivables 31st March 2015 £'000
<3 months	1,042	765
3 to 6 months	136	110
6 months to 1 year	98	1,157
>1year	770	165
	2,046	2,197

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

41. Financial Instruments (continued)

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.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31st March 2016 £'000	31st March 2015 £'000
Less than 1 year	0	7,000
Total	0	7,000

All Council deposits in money market accounts at 31st March 2016 were being held for a period of less than 3 months 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.

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. 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:

41. Financial Instruments (continued)

	Approved minimum limits	Approved maximum limits	Actual 31st March 2016 £'000	Actual 31st March 2015 £'000
Less than 1 year	0%	100%	0	7,000
Between 1 and 2 years	0%	100%	0	0
Between 2 and 5 years	0%	100%	5,883	2,941
Between 5 and 10 years	0%	100%	14,707	14,707
More than 10 years	0%	100%	55,362	53,304
Total	0%	100%	75,952	77,952

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.

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.

42. Contingent Liabilities

Planning Appeals

As at 31st March 2016, one planning appeal resulting from Planning Committee decisions was awaiting judicial review/legal hearing. The potential award of costs for these cases, if upheld is estimated at £15,000.

Holiday Pay Calculations

In November 2014 the Employment Appeal Tribunal ruled that holiday pay should include non-guaranteed overtime. If passed as law, this may create liabilities for the Council who receive claims from employees required to work overtime as a regular part of their job. As at 31st March 2016, the Council was awaiting outcomes of case law and further guidance on how and if claims should be calculated. On this basis the likelihood and value of claims cannot be accurately estimated.

Business Rates

It is likely that appeals will be lodged in 2016/2017 against valuations made in 2015/2016. It is not possible to quantify the potential liabilities arising from these cases.

43. Contingent Assets

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 £443,021.05 plus interest.

44. 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 runs for 5 years from 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 2015/16 was £1.242 million (2014/15 £1.416 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.

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ADDITIONAL *financial* STATEMENTS

THE *Housing Revenue* Statement

THE *Collection Fund*

ADDITIONAL *financial* STATEMENTS

Housing Revenue Account 2015/16

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 2015/16

2014/15 £'000	<u>HRA INCOME and EXPENDITURE STATEMENT</u>	Notes	2015/16 £'000
	INCOME		
(12,531)	Dwelling Rents	5	(13,361)
(77)	Non Dwelling Rents	5	(81)
(218)	Charges for Services and Facilities		(583)
(539)	Contributions towards Expenditure		(144)
(13,365)	Total Income		(14,169)
	EXPENDITURE		
2,305	Repairs and Maintenance		2,419
2,820	Supervision and Management		3,111
280	Rents, Rates, Taxes, Other Charges		248
3,019	Depreciation and Impairment of Non-Current Assets	9	1,467
(20,871)	Gain on Revaluation		(1,435)
4	Debt Management Costs		5
152	Increase in Bad Debt Provision / Write Offs	6	203
(12,291)	Total Expenditure		6,018
(25,656)	Net Cost/(Surplus) of HRA Services per Authority Income and Expenditure Statement		(8,151)
2,088	Interest Payable		2,088
(19)	Interest and Investment Income		(23)
(188)	Surplus on disposal of Non Current Assets		(288)
(23,775)	Deficit/(Surplus) for the Year on HRA Services		(6,374)
	<u>Items included in HRA I&E but excluded from Movement on the HRA Balance</u>		
(290)	Net charges made for retirement benefits in accordance with IAS 19	10	(403)
188	Surplus on Sale of fixed Assets		288
	<u>Items not included in HRA I&E but included from Movement on the HRA Balance</u>		
20,871	Gain on Revaluation		1,435
(867)	Transfer from Major Repairs Reserve	7	3,007
(29)	Depreciation of Non-Current Assets		(1,467)
214	Transfers to/(from) Housing Repairs Account	1	(19)
266	Employer's Contributions to the Leicestershire County Council pension scheme & retirement benefits	10	292
3,861	Contribution to/(from) Reserves		2,963
4	Contribution to Pensions Reserve - Capital Cost of Early Retirement		0
2	Movements regarding employee benefits accruals		0
24,220			6,096
445	(Surplus)/Deficit for the Year		(278)
(1,156)	Balance Brought Forward 1st April		(711)
(711)	Balance Carried Forward 31st March		(989)

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.

2014/15 £'000		Notes	2015/16 £'000	2015/16 £'000
	INCOME			
(51,810)	Income from Council Tax		(54,097)	
(27,276)	Income from Business Ratepayers		(30,113)	
(79,086)	Total Income			(84,210)
	EXPENDITURE			
50,443	Precepts and Demands from County, District, Fire and Police Authorities	14		52,680
27,575	Payments under Business Rates Retention		29,070	
125	Costs of Collection		124	
78,143				81,874
	Bad and Doubtful debts/appeals			
489	– Write Offs		212	
114	Provisions		421	
603				633
	Contributions			
	Distribution of Previous Year's			
475	Estimated Balance			1,477
79,221	Total Expenditure			83,984
135	Movement on Fund Balance			(226)
(320)	Opening Fund Balance 1st April			(185)
(185)	Closing Fund Balance 31st March			(411)

ADDITIONAL *financial* STATEMENTS

Notes to the Additional Financial Statements

1. Housing Repairs Account

2014/15 £'000	Note	2015/16 £'000	2015/16 £'000
Income			
(3,211)	Contribution from HRA		(3,198)
0	Interest on cash balances		0
(3)	Miscellaneous Income		(1)
(3,214)	Total Income		(3,199)
Expenditure			
369	Employee costs	365	
0	Premises related costs	1	
5	Transport related costs	3	
112	Supplies and services costs	99	
224	Central support costs	255	
710			723
472	Programmed repairs		537
1,187	Responsive repairs		1,207
2,369	Total Expenditure		2,467
(845)	Net Cost of Service		(732)
(5)	IAS 19 Pension Adjustment		(27)
0	Accumulated Absences Adjustment		0
720	Contribution to reserves		778
(100)	Contribution from reserves		
16	Revenue Contributions to Capital	8	
(214)	Deficit/(Surplus) for the year		19
(483)	Balance brought forward 1st April		(697)
(697)	Balance carried forward 31st March		(676)

2. Movement in Dwelling Stock

The Council was responsible for managing a housing stock of 3,354 dwellings at 31st March 2016. During the year the following movement took place:

	2015/16 Number	2014/15 Number
Sales (Right to Buy)	(23)	(17)
Additions	4	4
Total Movement	19	(13)

ADDITIONAL *financial* STATEMENTS

3. Property Types in Dwelling Stock

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

TYPE	2016 Number	2015 * Number
1 bedroom bungalows	274	272
1 bedroom houses	2	2
1 bedroom flats *	614	614
2 bedroom bungalows	416	419
2 bedroom houses	307	301
2 bedroom flats	417	420
3 bedroom bungalows	6	10
3 bedroom houses	1,297	1,312
3 bedroom flats	1	1
4 bedroom bungalows	1	1
4 bedroom houses	16	16
5 bedroom houses	3	3
Total Dwellings	3,354	3,371

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

*Restated to reflect dwelling numbers following update management system.

4. Balance Sheet Value of Council's HRA Assets

	2015/16 £'000	2014/15 £'000
Dwellings	132,564	128,937
Other Land and Buildings	808	117
Operational Assets	133,372	129,054
Investment Land/Properties	0	735
Total Assets	133,372	129,789

The vacant possession value of dwellings within the Council's HRA was £365.06 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: -

	2015/16 £'000	2014/15 £'000
Collectable from Tenants	(6,163)	(5,872)
Rent Rebates	(7,198)	(6,659)
Dwelling Rents	(13,361)	(12,531)
Non-dwelling Rents (Shops etc.)	(81)	(77)
Total Rent	(13,442)	(12,608)

ADDITIONAL *financial* STATEMENTS

6. Rent Arrears

	2015/16 £'000	2014/15 £'000
Rent Arrears	553	437
Bad Debt Provision	483	290
Bad Debts Written Off	10	63

7. Major Repairs Reserve

	2015/16 £'000	2014/15 £'000
Balance at 1st April	0	0
Amounts transferred to Reserve during year	(3,007)	(2,991)
Amounts transferred from Reserve to HRA during year	0	867
Capital Expenditure	2,800	2,124
Balance at 31st March	(207)	0

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 £4.555 million (£3.661 million 2014/15) was incurred. Expenditure on Dwellings was £4.480 million (£3.645 million in 2014/15), and expenditure on Vehicles Plant and Equipment was £0.075 million (£0.016 million in 2014/15). The sources of funding are shown below:

	2015/16 £'000	2014/15 £'000
Revenue Contributions to Capital	0	16
Capital receipts	124	0
Other Contributions from Reserves	1,631	1,425
External Contributions	0	96
Borrowing	0	0
Major Repairs Reserve	2,800	2,124
Total financing	4,555	3,661

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

	2015/16 £'000	2014/15 £'000
Right to Buy Dwellings	1,281	764
Council House Mortgage Repayments	0	0
Total capital receipts	1,281	764

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:-

	2015/16	2014/15
	£'000	£'000
Depreciation		
Dwellings	1,390	2,973
Other Land and Buildings	17	17
Vehicles, Plant & Equipment	60	29
Total Depreciation – Operational	1,467	3,019
Impairment of Non Current Assets	0	0
Total Depreciation and Impairments	1,467	3,019

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 £403,000 in 2015/16 (£290,000 in 2014/15).
2. Employer's contributions to the Leicestershire County Council pension fund and retirement benefits payable direct to pensioners. This amounted to £292,000 in 2015/16 (£266,000 in 2014/15).

ADDITIONAL *financial* STATEMENTS

11. Non-Domestic Rateable Value

	2016 £'000	2015 £'000
Value at 31st March	75,867	70,935

12. National Non-Domestic Rates Multiplier

	2015/16	2014/15
National Non-Domestic Rates multiplier	49.3p	48.2p
Small Business Multiplier	48.0p	47.1p

13. Council Tax Base

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

Band	2015/16	2014/15
A	3,605	3,500
B	8,996	8,729
C	8,072	7,918
D	6,236	6,091
E	4,401	4,280
F	2,701	2,628
G	1,485	1,474
H	104	102
Council Tax Base	35,600	34,722 *

* In accordance with relevant regulations, the Council Tax base for the council is rounded to one decimal point. The total taxbase for 2015/16 was approved at 35,599.6

14. Significant Precepting Authorities

	2015/16 £'000	2014/15 £'000
Leicestershire County Council	38,595	36,909
Leicestershire Police Authority	6,408	6,128
Leicester, Leicestershire and Rutland Combined Fire Authority	2,151	2,057
Hinckley and Bosworth Borough Council	5,526	5,349
Total	52,680	50,443

15. Fund Balances

The balance on the Fund is comprised as follows:

	31st March 2016 £'000	31st March 2015 £'000
A Deficit/(surplus) on Council Tax/ NNDR Collection.	(411)	(185)
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 2015/16 financial year and its position at the year-end of 31st March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16 (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 2015/16 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:

- Understand ability
- 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 2015/16. The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There has been one significant change in accounting policy during 2015/16 for the implementation of *IFRS13 Fair Value Measurement*. This standard provides a consistent definition of fair value throughout the accounts for assets and liabilities; 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 impact of the change has resulted in revaluations, with additional disclosures in the financial statements and notes, in particular for financial instruments and pensions. Other property assets (Assets Held for Sale, Investment Properties and Surplus Assets) would also be affected if held. As at the 31 March 2016 the Council does not hold these types of assets.

STATEMENT OF *accounting* POLICIES

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.

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 debtor or creditor 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 debtor or creditor 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 2015/16 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 2016. 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 2016.

STATEMENT OF *accounting* POLICIES

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.

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.

Segmental Reporting - Amounts Reported for Resource Allocation Decisions

Segmental reporting is included in the Statements based on the management reporting information supplied to the officers of the Strategic Leadership and Corporate Operations Boards (senior management) and to the Finance, Audit and Performance Committee and Executive (elected members). This reflects the resource allocation within the Council and the decision making bodies/process.

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.

STATEMENT OF *accounting* POLICIES

- 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 debtor or creditor 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.

Interest Income and Expenses

Interest income and expenses are accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable. Interest expenses on a qualifying asset are capitalised.

Allocation of Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi functional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The main support costs and the basis of allocation are shown below:

Cost	Basis of Allocation
Corporate Planning, Communication and Performance	Estimated staff time
Law and Administration	Estimated staff time and usage
Financial Support Services	Estimated time spent by staff
Human Resources	Number of staff
IT Support	Weighted number of PCs
Council Offices	Area occupied
Internal Audit	Audit plan days

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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 creditors. 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.

Investment Properties

An investment property is one that is used to earn rental income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Finance and Investment Income line and result in a gain for the General Fund Balance. However revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund

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Balance and are therefore reversed out through the Movement in Reserves Statement and posted to the Capital Adjustment Account. For any sale proceeds greater than £10,000, these receipts are posted to the Capital Receipts Reserve.

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.

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:

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- 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.

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

Property, Plant and Equipment – Recognition and Impairment (*Continued*)

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).

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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 2016 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.

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, using 80 years as the total life per dwelling but reflecting improvements over the years with a minimum residual life of 20 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

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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.

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 three 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

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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.

Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions repayable without penalty on notice of not than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 3 months from the date of acquisition and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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.)

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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).

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

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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.

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.

Inventories

The value of inventories held by the Council shown in the Statement of Accounts is calculated on the basis of the lower of cost or net realisable worth in accordance with IAS 2.

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.

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Contingent Assets and Liabilities

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

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

Contingent liabilities and assets are not recognised in the Balance Sheet but are disclosed in the notes to the financial statements.

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.

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.

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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

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

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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.

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.

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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 to the 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.

Glossary of Terms

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.
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.
Going Concern	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.
IEG	Implementation of electronic government.

Glossary of Terms

Impairment	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.
Infrastructure Assets	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.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Inventories	<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.
Investments (Non Pensions Fund)	<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>
Investments (Pensions Fund)	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.

Glossary of Terms

Investment Properties	Interest in land and/or buildings:- 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.
Major Repairs Reserve	A reserve created to deal with major repairs to HRA properties financed from the Major Repairs Allowance
Minimum Revenue Provision (MRP)	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.
National Non-Domestic Rates (NNDR)	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.
Net Book Value	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.
Net Current Replacement Cost	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.
Net Realisable value	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.
Non-Distributed Costs	These are overheads for which no user benefits and therefore should not be apportioned to services.
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	<p>All forms of consideration given by an employer in 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.

Glossary of Terms

Revenue expenditure	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.
Scheme Liabilities	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.
Settlement	<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> <ol 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.
Total Cost	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.
Ultra Vires	An action that is outside the powers allowed to the body that wants to execute the action.
Useful Life	The period over which the Local Authority will derive benefits from the use of an asset.
Vested rights	<p>In relation to a defined benefits pension scheme, these are:-</p> <ol 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>