

Public Document Pack

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

Date: 05 June 2018



**Hinckley & Bosworth
Borough Council**

To: Members of the Audit Committee

Mr RB Roberts (Chairman)
Mrs R Camamile (Vice-Chairman)
Mr DS Cope
Mrs L Hodgkins
Mr MR Lay
Mr KWP Lynch

Mr DW MacDonald
Mr BE Sutton
Miss DM Taylor
Mr HG Williams
Ms AV Wright

Copy to all other Members of the Council

(other recipients for information)

Dear member,

Please find attached items marked 'to follow' on the agenda for the meeting of the **AUDIT COMMITTEE** on **THURSDAY, 7 JUNE 2018** at **6.30 pm**.

I would be grateful if you could place this with your papers for the meeting.

Yours sincerely

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

Rebecca Owen
Democratic Services Officer

'TO FOLLOW' REPORTS

11. DRAFT STATEMENT OF ACCOUNTS (Pages 1 - 6)
12. ANNUAL GOVERNANCE STATEMENT (Pages 7 - 130)

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Hinckley & Bosworth
Borough Council

A Borough to be proud of

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

Audit Committee

7th June 2018

WARDS AFFECTED: ALL WARDS

FINANCIAL STATEMENTS 2017/18

Report of Head of Finance (Section 151 Officer)

1. PURPOSE OF REPORT

- 1.1.1 To present to the Audit Committee the draft Annual Governance Statement and Financial Statements for 2016/17 that will be subject to external audit.

RECOMMENDATION

- 2.1 To review the 2016/17 unaudited Financial Statements and consider whether the accounts reflect their understanding of the position of the council has reported during the year.
- 2.2 To review the draft Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

3. BACKGROUND TO THE REPORT

- 3.1 In accordance with Accounts and Audit regulations, draft Financial Statements have to be signed off by the 31st May 2018 and ready for public inspection on the 1st June 2018. The attached unaudited statements were completed on the 30th May 2018 and signed off by the Head of Finance (s151 Officer) on that day for publication. The accounts become available for public inspection from that date for a period of 30 days in which they can inspect or raise objections to items in the accounts. The statements have also been supplied to our External Auditor (Ernst & Young) for them to complete their audit and report back to the Audit Committee.
- 3.2 Following the conclusion of the period for the exercise of public rights the Head of Finance as the responsible finance officer (RFO) is required, on behalf of the authority, to re-confirm that they are satisfied that the Statement of Accounts presents a 'true and fair' view. The authority must then consider the Statement of Accounts, which at HBBC is the responsibility of the Audit Committee on behalf of the Council. At that meeting the Audit Committee will need approve the accounts by a resolution of that committee and ensure that they are signed and dated by the person

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

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

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

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

- 3.5 Some accounting policies were removed on the basis that they are not significant to a users understanding of the accounts, and are listed in appendix 1

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

- 4.1 Report taken in open session.

5. FINANCIAL IMPLICATIONS [AW]

5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS AR

6.1 None.

7. CORPORATE PLAN IMPLICATIONS

7.1 None.

8. CONSULTATION

8.1 None.

9. RISK IMPLICATIONS

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

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

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

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None	N/A	Ashley Wilson

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 There are no direct implications arising from this report

11. CORPORATE IMPLICATIONS

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

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

Background papers: Civica Reports

Contact Officer: Ilyas Bham, Accountancy Manager
Executive Member: Cllr M Hall

Appendix 1

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 staff time
Human Resources	Number of staff
IT Support	Weighted number of PCs
Council Offices	Area occupied
Internal Audit	Audit plan days

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.

The Council holds no investment properties.

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 more 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.

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.

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.



Hinckley & Bosworth
Borough Council

Unaudited Statement of Accounts



2017/2018

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Chief Executive's Message

Message from the Chief Executive as Head of Paid Services

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

As the 2017/18 financial statements demonstrate, the financial standing of the Council continues to be robust. We have established good and effective financial governance, processes and procedures and are ready to move forward in a period of continuous change. As always, we will continue to pursue on-going improvement and excellence

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

- Be assured that the Council is managed in a way that has secured its ongoing future and its ability to deliver services to the people that rely on them in this area.
- Review the financial performance during 2017/18 and understand the financial position in terms of the assets, liabilities and reserves of the Council;
- See that our accounts were prepared as a true and fair record of our financial performance and have been audited and certified as such, to ensure confidence that the public money, with which the Council has been entrusted, has been used and accounted for in an appropriate manner; and

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

As we look forward into 2018/19, the economic outlook is continuing to show some improvement, and this is reflected locally with significant inward business investment taking place. This is illustrated by the continuing growth and success of MIRA Enterprise Zone and investment plans of key local companies such as Triumph, Neovia Logistics and DPD. However, Central Government still spends more than it collects and so significant pressure remains to bring the country out of its budget deficit. There are also the uncertainties of Brexit. Central Government is tackling this through a programme of sustainable economic growth, its launch of its Industrial Strategy and a drive for efficiency savings/cost reductions across public services.

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

Hinckley & Bosworth Borough Council historically has resisted increases in council tax. This has led to the Council for 2017/18 having the twelfth lowest Council Tax charge out of 201 District councils in the Country at £122 per year. Government is expecting that Councils will need to raise Council Tax as part of their future funding regime, although currently there is a 2% limit on any such increase, without a public referendum (although district councils and shire counties which are in the lowest quartile can increase Council Tax by £5 a year.) To help secure the finances of the Council we have continued with the £5 for 2018/19.

Chief Executive's Message

There will also be a dramatic change in the way business rates are managed, with the stated intention of Government that Local Authorities will retain 75% of the growth of business rates from 2020/21, subject to some redistributive safeguards. We had a contribution to our income of £2.4m in 2017/18 for baseline funding and an additional £1m for new growth and this level is likely to continue in 2018/19, but the longer term future is still uncertain. Nevertheless, the reforms can be seen as a key opportunity for the Council to encourage economic growth, as a means of creating additional income.

New Homes Bonus is very likely to be reformed and, although for 2017/18 we received £2.8m, this as an overall element of Central Government funding is reducing as increases in this funding are being off set by the removal of other grants. However, successive governments over the past decade and more have put in place an incentivised funding regime for housing growth and we await any future announcements on this.

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

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

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

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

Places - Creating clean and attractive places to live and work

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

District Councils everywhere are having to adapt and transform by becoming more pro-active in prevention linked to reducing demand on ours and other agencies' services: such as the police, the NHS and social care. The Council will continue to develop its innovative approaches to dealing with demand, guided by its Prevention Strategy and complementary strategies such as its Digital Strategy, Rural Strategy and Health and Wellbeing Strategy. The continued development and delivery of integrated approaches to addressing increasingly complex customer and community demands via ground-breaking initiatives, such as the Endeavour (Community Safety Partnership programme), the Lightbulb project (housing contribution to health offer) and VCS programme (Volunteer and Community Services infrastructure), will also play their part. It will also be achieved by using money where it is needed to invest in all of our communities; by generating new ways of self-financing; by having a greater say in Government and sub-regional partnerships, and all this whilst improving the efficiency of our services so valued by our local communities. Our new Corporate Plan will be central to how Hinckley and Bosworth Borough Council moves forward in all of these areas.

Narrative Report

Narrative report

Welcome to Hinckley & Bosworth Borough Council's Statement of Accounts for the year ended 31st March 2018 that details the financial position of the Council for the financial year 2017/18. This Narrative Report outlines the main issues affecting the Council and gives context in relation to the accompanying Financial Statements.

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

- An Introduction to Hinckley & Bosworth Borough Council
- The 2017/18 Revenue Budget Process.
- Financial Performance of the Council 2017/18
- Capital Strategy and Capital Programme
- Non-Financial Performance of the Council
- Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2017/18.

An Introduction to Hinckley & Bosworth Borough Council

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

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

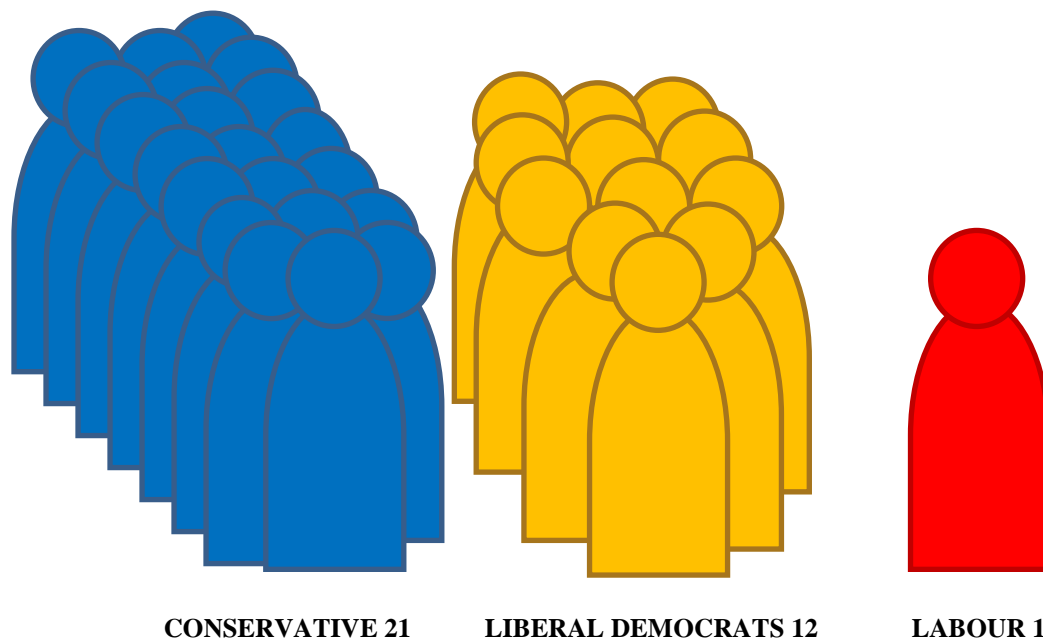
Narrative Report

The borough's traditional industries include hosiery, textiles, boot and shoe manufacturing. Today the manufacturing base has moved towards the automotive industries with key employers: HORIBA MIRA, which is a vehicle engineering hub with Enterprise Zone status; Triumph Motorcycles; and, Caterpillar. In addition, 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:



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

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

- Audit Committee
- Ethical Governance and Personnel Committee
- Hinckley Area Committee

Narrative Report

- Licensing (Regulatory) Committee
- Licensing Committee
- Planning Committee
- Statutory Officer Employment Panel

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

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

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

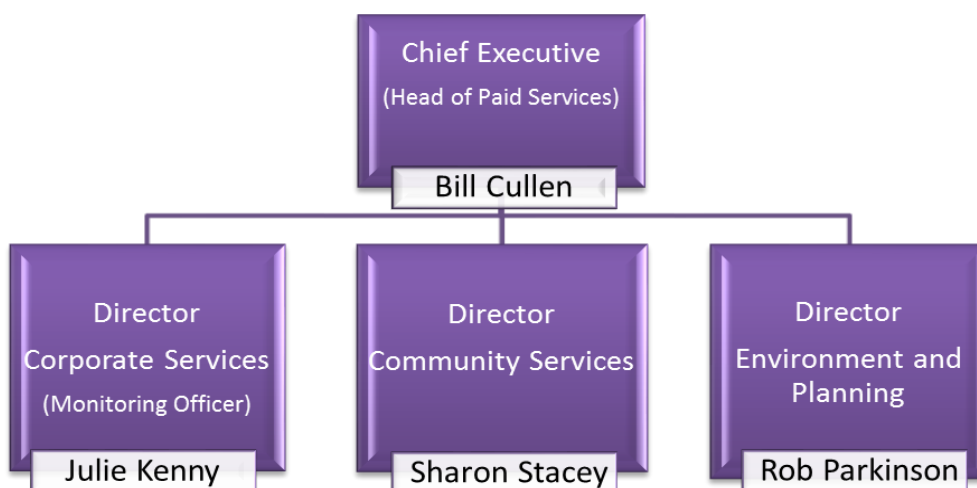
We have brought those priorities together under three clear headings:

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

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

Corporate Operations

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



Narrative Report

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

The number of Council employees and elected members for 2017/18 and prior year are as follows:

	31st March 2018	31st March 2017
Council Employees	415	411
Elected Members	34	34
Total Staff	449	445

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

The Council sets a target for sickness absence on an annual basis for all staff. Outturn against this target for 2017/18 and the previous year was as follows:

Target	Target	Outturn 2017/18	Outturn 2016/17
Working Days Lost due to Sickness Absence	8 days	10.42 days	8.7 days

High sickness absence levels can have a detrimental effect on the delivery of council services. Effective sickness absence management ensures that the cost of sickness absence is kept at a minimum whilst improving capacity, service improvement and workforce morale. Sickness performance for 2017/18 was above target and the final outturn was 10.42 days. This was higher than the previous year 2016/17 which was 8.7 days. Increase in absence was due to an increase in short term intermittence absence particularly over the Autumn/Winter period. 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 2017/18 Revenue Budget Process

Every year the Council reviews its overall expenditure to identify efficiencies and ensure it can deliver services to local residents. The 2017/18 revenue budget process was prepared in light of the continued need to make reductions in expenditure, but ensuring the Council priorities are progressed. The 2017/18 General Fund revenue budget has been prepared with clear links to the Council's strategic and service objectives. As well as reviewing revenue the Council also ensures capital development priorities are included in the Capital Programme which is approved at the same time as the revenue budget.

Part of our ongoing commitment to efficiency savings in relation to the cost of supplies and services, is to apply a rate of 0% to non-contract related expenditure. As the Retail Price Index

Narrative Report

(RPI) has stood between 2-4% in year, the application of 0% represents an effective saving on running costs.

The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2017/18 estimates include an updated pension cost figure of 23% based on the latest pension valuation and an agreed 1% pay award. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2016/17.

Pressures totalling £1,224,753 have been included in the budget. Of this amount £491,080 is contractually committed expenditure as noted below:

- £165,000 relates to staff cost resulting from pay inflation, pay increments, pension and NI costs.
- Pension and NI changes account for £81,000 of this increase and are outside of the council's control.
- £40,800 Additional costs arising from increase in fuel prices.
- £44,500 Additional costs due to increase in Business Rates for General Fund Properties.
- £34,980 Additional costs arising from the apprentice levy.

Other major services and capital financing pressures include:

- £299,571 of capital financing pressure (includes Leisure Centre and the former Co-Op site).
- £75,000 Additional VCS and Town Centre Support.
- £83,810 Castle Car Park.
- £25,000 Reduction in contribution from Special Expenses Area.
- £90,000 Included for changes in capacity (to be taken to Council in February 2017).

In comparison, the service savings and additional income of £1,592,829 have been included. The most significant of these savings are:

- £531,130 (net) from Leisure Centre rentals to be received in 2017/18.
- £130,000 Reduction in Planning Policy; site allocation and local plan expenditure.
- £93,000 Increase Car Parking income.
- £209,654 Saving arising from the Corporate Restructure.
- £133,048 Net additional income from charging for Garden Waste.
- £55,890 Additional income from trade waste and bulky collections and dry recycling.
- £129,000 of Planning Site allocation savings from previous year to be realized in 2017/18.
- £119,000 related to a potential VAT liability that was set aside in relation to the Greenfield site, as note in the 2016/17 general fund budget report, but has not been required.

The Leicestershire Pension Fund was re-valued as at 31 March 2016 and a triennial valuation completed in accordance with statutory requirements. There is currently an actuarial deficit (i.e. the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members). Whilst action is needed to remedy this position the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An Employers Contribution rate of 20.3% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value

Narrative Report

of £181,000 (£226,000 including HRA) is payable to the Local Government Pension Scheme which is contained in a corporate budget.

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

Reserves

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

- Maintain general balances (non earmarked) at a minimum of 10% of Hinckley & Bosworth Borough Council's budget requirement, changed to an average of 15% over the life of the Medium Term Financial Strategy (MTFS) from 2017/18.
- Any notional surplus/deficit earned/incurred by the Direct Service Organisations will be transferred to/from General Fund balances. Any such balance on the Housing Repairs Client account is transferred to/from the Housing Repairs Account held within the Housing Revenue Account

Financial Performance of the Council 2017/18

The outturn for 2017/18 saw an improvement in the financial position compared with that anticipated position when the Budget was prepared in the autumn of 2017. When the revised position was reported to Council in February 2018 an additional £0.546m was estimated to go into balances. The main reason for the variation was additional business rates income of £0.402m.

A summary position to 31st March 2018 is set out below:

	Original Estimate 2017/18	Revised Estimate 2017/18	Draft Outturn 2017/18
	£	£	£
Support Services	173,220	333,160	4,101,808
Corporate Services	2,742,559	2,619,314	1,268,840
Community Services	2,258,384	2,473,186	1,298,423
Environment and Planning	6,446,846	6,510,910	4,819,426
Further Savings in Year	0	(20,000)	0
Total service expenditure	11,621,009	11,916,570	11,488,497
Less:			
Special Expenses	(588,870)	(591,870)	(580,436)
Capital Accounting Adjustment	(1,751,250)	(1,751,250)	(1,193,337)
Net external interest (received)/paid	315,320	315,320	249,478
IAS19 Adjustment	(473,330)	(473,330)	(1,160,599)
Carry forwards from prior year	0	(223,012)	(228,012)
Pensions – In year costs	0	0	83,000
Carry forwards to next yr.	0	0	187,558
Employee Benefit	0	0	6,508

Narrative Report

Transfer to reserves	1,479,120	1,639,120	1,956,224
Transfer from reserves	(462,246)	(443,666)	(342,666)
Transfer from unapplied grants	0	(391,993)	(244,335)
Transfer to unapplied grant	0	0	275,272
Transfer to/(from) pensions reserves	3,880	3,880	0
Transfer to/(from) Collection Fund Adj A/c	0	0	0
Transfer to/(from) balances	103,715	649,579	650,040
Business Rates Growth	0	(402,000)	0
HBBC Budget Requirement	10,247,348	10,247,348	11,147,192

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

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

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

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

The overall Capital Programme approved by Council in February 2018 for 2017/2018 – 2019/2020 is given below.

	2017/2018	2018/2019	2019/2020	Total
Expenditure	10,637,817	12,829,552	10,085,266	33,552,635
Financed from:				
Reserve	7,770,698	8,683,660	5,116,359	21,570,717
Capital Receipts	950,000	1,093,000	933,280	2,976,280
Borrowing	849,589	2,127,756	3,580,947	6,558,292
Grant income	1,067,530	925,136	454,680	2,447,346
Total financing	10,637,817	12,829,552	10,085,266	33,552,635

Narrative Report

Proposed Capital Programme - Housing Revenue Account

The proposed Capital Programme for the Housing Revenue Account (the HRA Programme) is included in the Appendix. The HRA Programme reflects the main investment priorities included in the Housing Revenue Account Investment Plan which was approved by Council in July 2013.

These were:

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

£17,568,329 of investment has been proposed over the life of the HRA Programme into existing stock. The sequence of these works is based on the outputs of the most recent stock condition survey.

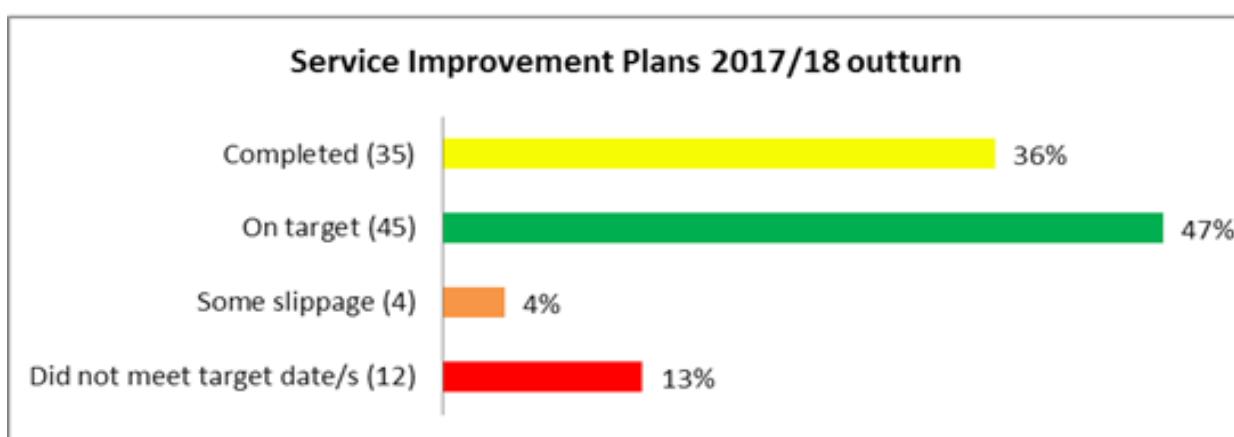
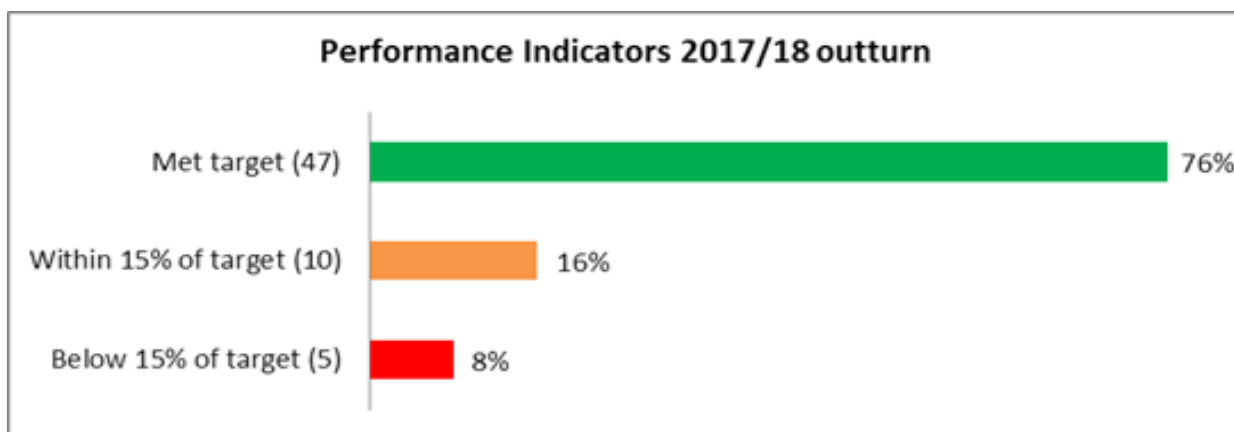
Affordable Housing schemes are:

- Southfield Road Hinckley - A development in partnership with a developer and a Housing Association for the development of 68 units of affordable housing. Development started on site in November 2016 and is now completed.
- Ambion Court - situated in Southfield Way near the centre of the village of Market Bosworth. The scheme was built in the 1970s and there are essential works needed to the building that will require significant financial outlay. The intention is to ensure this accommodation is fit for purpose going forward.
- Martinshaw Lane - This is a Council site in Groby. The project will see the site being developed to include the construction of nine. The bungalows will be a mixture of one and two bedroom homes and on site activity commenced in 2017 and will be completed in 2018/19.

Non-Financial Performance of the Council 2017/18

The Council uses plans and strategies at all levels of the organisation to plan and monitor the achievement of aims and objective. At a corporate level, the system is governed by the Corporate Planning Framework. The Council's objectives are reflected in Service Improvement Plans which outline how each service will achieve the corporate aims within a three year period. Plans are refreshed annually and progress against targets are managed through the TEN performance management system monthly. Performance reports are produced for service managers', team briefings, monthly and joint boards on a quarterly basis. Individual staff performance is monitored through annual performance development assessments and biannual reviews. Performance reports are produced for the Finance and Performance Committee quarterly, and annually in the Corporate Performance Plan. Action plans are in place for all performance indicators that have not been met and have been reported to the Finance and Performance Committee as well as joint boards. Corporate level performance for the 2017/18 year was reported as follows:

Narrative Report



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 2017/18 this review should conclude that there are no significant control weaknesses have been identified for reporting in 2017/2018.

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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Material Changes

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

Accounting Policies

The Council's Accounting Policies are contained in the Statement of Accounts from page 88 to page 101.

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

The Council's Accounting Policies are reviewed on an annual basis and updated for any changes in the Code. There have been no significant changes to the accounting policies for 2017/18

Revenue Reserves

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

	2018 £000's	2017 £000's
Earmarked Revenue Reserves	6,067	6,091
General Fund Balances	2,487	1,761
Housing Repairs Account	329	442
Housing Revenue Account	730	870
Total	9,613	9,164

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

- General Fund balances should be held at a minimum of 10% of the General Fund net budget requirement to meet the costs of any unforeseen events, with an average of 15% over the term of the MTFS as from 2017/18.
 - 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

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effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

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

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

Note 36 discloses a net pension liability of £33.607 million for the Council as at 31st March 2018 compared to £34.243 million at 1st April 2017. Under legislation the Council is required to charge to revenue each year the value of contributions payable to the LGPS administrator rather than the cost of service calculated by IAS 19. This is done by creating a Pensions Reserve that offsets the liability but is not usable other than to balance out the liability.

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

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

Capital Expenditure and Disposals

Capital expenditure on Property, Plant and Equipment in 2017/18 was £8.541 million. Of this total £0.989 million relates to Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The Council disposed of assets worth £2.511 million in the year of which related to right to buy dwelling sales.

External Borrowing

As at 31st March 2018 the Council had total external borrowing of £75.952 million which consisted of long-term borrowing from the Public Works Loan Board (PWLB). The Council is currently able to raise finance using the following approved borrowing instruments and funding is acquired after comparing the various rates available to ascertain the cheapest source and the most appropriate period:

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

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

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In 2017/18 the Council complied with all the relevant statutory and regulatory requirements which require the identification and, where possible, quantification of the levels of risk associated with treasury management activities. In particular the Council's adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that capital expenditure is prudent, affordable and sustainable, and treasury practices demonstrate a low risk approach.

Provisions, Contingencies and Write Offs

The Balance Sheet contains provisions of £1.209 million as at 31st March 2018. 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 2017/18 to provide for costs of legal cases that are likely to require settlement in 2018/19.

Under Business Rates Retention guidelines, the Council is required to make provisions for refunding ratepayers, who have appealed against the rateable value of their property on the rating list and may be successful. A provision of £1.186 million has been estimated for this Council for 2017/18.

Where a liability is possible (but not likely) or the cost cannot be reliably estimated, a contingent liability is disclosed. Note 38 contains details of one contingent liability to acknowledge that further business rates appeals may be lodged in 2018/19 relating to rateable values decided in 2017/18. In order to ensure completeness of these disclosures, a formal review of provisions and contingencies is conducted annually by both the Strategic Leadership Team.

Write offs are processed by the Council on key income streams in line with the Debt Recovery Policy and also the Financial Procedure Rules. Total write offs for the 2017/18 year are summarised below. There were no single material write offs processed in year and all arose in the course of standard Council operations.

	2017/18 £000's	2016/17 £000's
General Fund Write Offs	18	24
Housing Revenue Account Write Offs (including rents)	11	24
Collection Fund Write Offs	457	287
Total Write Offs	486	335

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Resources Available to Support Future Capital Expenditure

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

	2018 £000's	2017 £000's
Unapplied Grants and Contributions	565	1,863
Usable Capital Receipts Reserve	4,733	2,642
Earmarked Revenue Reserve for Future Capital Projects	12,126	12,636
Total available resources	17,424	17,141

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 2017/18 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.

	2018/19 £000's	2019/20 £000's	2020/21 £000's
Corporate Support	1,011	117	117
Community Services	886	878	878
Environment & Planning	3,436	4,344	1,038
Expenditure Total	5,333	5,339	2,033
General Financing			
Capital Receipts	1,538	720	581
Borrowing	743	583	377
Contribution from reserves	2,127	3,581	620
Grants	925	455	455
Financing Total	5,333	5,339	2,033

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 2017/18 the Housing Revenue Account had a deficit of £0.142 million compared with a deficit of £0.120 million in 2016/17. This position reflects the transfer of significant balances to the HRA Regeneration Reserve for future capital expenditure.

The Housing Repairs Account shows a deficit of £0.113 in 2017/18 compared with a deficit of £0.235 million in 2016/17.

The total of both the Housing Revenue Account and Housing Repairs account balances at 31st March 2018 was £1.055 million compared with £1.311 million in 31st March 2017. The Housing

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Revenue Regeneration Reserve held a balance of £9.857 million and will be used to fund future Affordable Housing schemes.

Collection Fund

From 1st April 1990 the Council has been required by the Local Government Finance Act 1988 to maintain a Collection Fund for transactions relating to the collection of Council Tax and Non-Domestic Rates. The Collection Fund shows the amounts collected for Council Tax and national Non-Domestic Rates and how this income has been distributed and these details are set out in the Collection Fund Statement. In 2017/18, the Collection Fund collected £91.609 million from Council Tax and National Non-Domestic Rates compared to £90.015 million in 2016/17.

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

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

The council continues to minimise increases to fees and charges (e.g. car parking charges) to assist local residents and businesses which means that the Council's budgets continue to be under pressure. The financial modelling and forecast contained in the MTFS have included these factors. In Leicestershire, the County Council's notes it is facing significant financial, demographic and service demand challenges. It needs to deliver savings of £50m over the next

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four financial years (2018/19 to 2021/22), with £17.6m savings to be made in 2018/19. It is looking at how it can make savings from its interactions with partners or increase income. The Medium Term Financial Strategy contains ten strategic financial objectives which seek to mitigate the impact of financial pressures on the Council. Details of these objectives are provided below:

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

Publication of Accounts

The Statements have been prepared in accordance with the 2017/18 edition of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and International Financial Reporting Standards (IFRS). The Statements present the financial affairs of the Council in accordance with the Service Reporting Code of Practice (SeRCOP).

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

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

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These Statements are supported by accompanying notes.

These unaudited accounts were approved for publication on 30th May 2018 by A Wilson, Head of Finance. Events after the Balance Sheet Date have been considered up to this date and disclosed in Note 5.

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

Date:-

STATEMENT OF *Responsibilities*

The Council's Responsibilities

The Council is required to:

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

The Head of Finance's Responsibilities

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

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

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

The Head of Finance has also:

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

I certify that The Statement of Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2018.

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

Head of Finance

Date:-

CORE *financial* STATEMENTS

THE *Movement in Reserves Statement*

THE *Comprehensive Income and Expenditure Statement*

THE *Balance Sheet*

THE *Cash Flow Statement*

The Movement in Reserves Statement

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

The Comprehensive Income and Expenditure Statement

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

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

The *second* section comprises items of income and expenditure relating to the Council as a whole. When added to the cost of services these give the Council's Surplus or Deficit on provision of services and it also 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, because they arise out of asset changes rather than from the entity's operating performance that complete position and performance of the Council. Therefore it is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period in this section. This is the total gains and losses of the Council to give a complete performance of the Council.

The Balance Sheet

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

The Cash Flow Statement

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

The Expenditure and Funding Analysis note

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

Movement in Reserves Statement

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserve	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016 carried forward	6,443	11,983	683	207	2,996	22,312	58,052	80,364
Total Comprehensive Income and Expenditure	1,114	42,149	-	-	-	43,263	(2,258)	41,005
Adjustments between accounting basis & funding basis under regulations (Note 6)	582	(42,359)	1,959	201	345	(39,272)	39,272	-
Increase/(Decrease) in Year	1,696	(210)	1,959	201	345	3,991	37,014	41,005
Balance at 31 March 2017 carried forward	8,139	11,773	2,642	408	3,341	26,303	95,066	121,369
Total Comprehensive Income and Expenditure	(878)	3,491	-	-	-	2,613	8,434	11,047
Adjustments between accounting basis & funding basis under regulations (Note 6)	2,658	(4,040)	2,091	191	(403)	497	(497)	-
Increase/(Decrease) in Year	1,780	(549)	2,091	191	(403)	3,110	7,937	11,047
Balance at 31 March 2018 carried forward	9,919	11,224	4,733	599	2,938	29,413	103,003	132,416
Fund Balance	2,487	737						
Earmarked reserve	7,432	10,487						
Balance at 31 March 2018 carried forward	9,919	11,224						

Comprehensive Income and Expenditure Statement

2016/17				2017/18			
Gross Expenditure	Gross Income	Expenditure / (Income)		Note	Gross Expenditure	Gross Income	Expenditure / (Income)
£'000	£'000	£'000			£'000	£'000	£'000
2,895	(798)	2,097	Community Services		3,595	(2,902)	693
22,117	(20,898)	1,219	Corporate Services		21,119	(18,377)	2,742
10,214	(5,120)	5,094	Environment & Planning		10,854	(4,579)	6,275
1,249	(1,332)	(83)	Support Services		1,848	(1,493)	355
			HRA - Housing				
(29,612)	(13,923)	(43,535)	Revenue Account		8,232	(13,674)	(5,442)
6,863	(42,071)	(35,208)	Cost Of Services		45,648	(41,025)	4,623
1,503	0		Other Operating	8	1,450	0	
		1,503	Expenditure				1,450
5,636	(2,144)	3,492	Financing and	9	6,631	(1,653)	4,978
			Investment Income				
2,033	(15,083)	(13,050)	and Expenditure	10	1,996	(15,660)	(13,664)
			Taxation and Non-				
			Specific Grant				
			Income				
16,035	(59,298)	(43,263)	(Surplus) or Deficit		55,725	(58,338)	(2,613)
			on Provision of				
			Services				
		(3,248)	Surplus or deficit on				(5,583)
			revaluation of fixed				
			assets				
		5,505	Remeasurements on				(2,851)
			pension assets /				
			liabilities				
		2,257	Other				
			Comprehensive				(8,434)
			Income and				
			Expenditure				
		(41,006)	Total Comprehensive				(11,047)
			Income and				
			Expenditure				

Balance Sheet

As at 31st March 2017 £'000		Note	As at 31st March 2018 £'000
235,997	Property, Plant & Equipment	11	239,307
121	Heritage Assets	12	121
822	Intangible Assets	13	687
0	Assets Held for Sale	14	1,800
182	Long Term Receivables	17	141
237,122	Long Term Assets		242,057
4,000	Short Term Investments	16	9,800
20	Inventories		15
6,478	Short Term Receivables	18	5,681
6,907	Cash and Cash Equivalents	15	5,583
17,405	Current Assets		21,079
(50)	Cash and Cash Equivalents	15	(371)
(12,142)	Short Term Payables	19	(10,348)
(955)	Provisions	20	(1,208)
(13,147)	Current Liabilities		(11,927)
(1,460)	Long Term Payables	19	(1,366)
(75,952)	Long Term Borrowing	37	(75,952)
(42,518)	Other Long Term Liabilities	21	(41,436)
(81)	Capital Grants Receipts in Advance		(39)
(120,011)	Long Term Liabilities		(118,793)
121,369	Net Assets		132,416
26,303	Usable Reserves	22	29,413
95,066	Unusable Reserves	23	103,003
121,369	Total Reserves		132,416

Cash Flow Statement

2016/17			2017/18
£'000		Note	£'000
43,264	Net surplus or (deficit) on the provision of services		2,613
(32,525)	Adjustment to surplus or deficit on the provision of services for noncash movements		5,243
(126)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(568)
<u>10,613</u>	Net Cash flows from Operating Activities		<u>7,288</u>
(11,588)	Net Cash flows from Investing Activities	25	(8,560)
<u>235</u>	Net Cash flows from Financing Activities	26	<u>(373)</u>
(740)	Net increase or decrease in cash and cash equivalents		(1,645)
<u>7,597</u>	Cash and cash equivalents at the beginning of the reporting period		<u>6,857</u>
<u>6,857</u>	Cash and cash equivalents at the end of the reporting period	15	<u>5,212</u>

Expenditure and Funding Analysis

2017/18

	As reported for resource management £'000	Adjustment to arrive at the net amount chargeable to General Fund and HRA Balances £'000	Net Expenditure chargeable to the General Fund and HRA £'000	Adjustments between Funding and Accounting Basis £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	1,298	(1,717)	(419)	1,112	693
Corporate Services	1,269	1,127	2,396	346	2,742
Environment & Planning	4,819	800	5,619	656	6,275
Support Services	4,102	(4,206)	(104)	459	355
Housing (HRA)	(7,083)	5,681	(1,402)	(4,040)	(5,442)
Net cost of Services	4,405	1,685	6,090	(1,467)	4,623
Other Income and Expenditure	(8,545)	1,224	(7,321)	85	(7,236)
Surplus or Deficit	(4,140)	2,909	(1,231)	(1,382)	(2,613)

Opening General Fund and HRA Balance	19,912
Less Deficit on General Fund and HRA Balances	1,231
Closing General Fund and HRA Balance at 31 March	21,143

Expenditure and Funding Analysis

2016/17

	As reported for resource management £'000	Adjustment to arrive at the net amount chargeable to General Fund and HRA Balances £'000	Net Expenditure chargeable to the General Fund and HRA £'000	Adjustments between Funding and Accounting Basis £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	1,415	(205)	1,210	887	2,097
Corporate Services	(70)	1,010	940	279	1,219
Environment & Planning	3,149	1,125	4,274	820	5,094
Support Services	4,728	(5,200)	(472)	389	(83)
Housing (HRA)	(45,334)	44,158	(1,176)	(42,359)	(43,535)
Net cost of Services	(36,112)	40,888	4,776	(39,984)	(35,208)
Other Income and Expenditure	(5,884)	(378)	(6,262)	(1,793)	(8,055)
Surplus or Deficit	(41,996)	40,510	(1,486)	(41,777)	(43,263)
Opening General Fund and HRA Balance			18,426		
Less Deficit on General Fund and HRA Balances			1,486		
Closing General Fund and HRA Balance at 31 March			19,912		

NOTES TO THE *Comprehensive Income and Expenditure Statement*

Note to the Expenditure and Funding Analysis

2017-18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Community Services	1,113	0	(1)	1,112
Corporate Services	355	0	(9)	346
Environment & Planning	654	0	2	656
Support Services	458	0	1	459
HRA - Housing Revenue Account	(4,272)	232	0	(4,040)
Net Cost of Services	(1,692)	232	(7)	(1,467)
Other income and expenditure	(1,805)	1,983	(93)	85
Total	(3,497)	2,215	(100)	(1,382)

2016-17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Community Services	888	0	(1)	887
Corporate Services	279	0	0	279
Environment & Planning	827	0	(7)	820
Support Services	392	0	(3)	389
HRA - Housing Revenue Account	(42,390)	32	(1)	(42,359)
Net Cost of Services	(40,004)	32	(12)	(39,984)
Other income and expenditure	(2,768)	1,036	(61)	(1,793)
Total	(42,772)	1,068	(73)	(41,777)

NOTES TO THE *Comprehensive Income and Expenditure Statement*

Supplementary Analysis for the CIES Expenditure and Income Analysed by Nature

Expenditure/Income	2017/18 £'000	2016/17 £'000
Expenditure		
Employee benefits expenses	13,965	12,280
Other services expenses	27,156	29,167
Depreciation, amortisation and impairment	5,751	(34,590)
Interest Payments - Note 9	2,932	2,965
Precepts and Levies - Note 8	1,861	1,742
Pension Interest costs - Note 9	2,475	2,677
Council Tax/NDR	1,996	2,033
Payments to Housing Capital Receipts Pool - Note 8	415	470
Gain on the disposal of assets - Note 8	(826)	(709)
Total Expenditure	55,725	16,035
Income		
Fees, charges and other service income	(22,139)	(21,450)
Interest and investment income - Note 9	(84)	(59)
Income from council tax, non-domestic rates, district rate income	(10,914)	(10,910)
Expected return on pension assets - Note 9	(1,569)	(1,707)
Government grants and contributions - Note 30	(23,632)	(25,172)
Total Income	(58,338)	(59,298)
Surplus or Deficit on the Provision of Services	(2,613)	(43,263)

Supplementary Analysis for the CIES Segment Reporting

	Community Services £'000	Corporate Services £'000	Environment and Planning £'000	Support Services £'000	HRA £'000	Total £'000
2016-17						
Revenues from External Customers	(625)	(1,911)	(3,688)	(1,332)	(13,894)	(21,450)
2017-18						
Revenues from External Customers	(1,020)	(2,212)	(3,793)	(1,493)	(13,621)	(22,139)

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- **IFRS 9 Financial Instruments** which introduces extensive changes to the classification and measurement of financial assets and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables and available for sale to amortised cost and fair value. Assessment of the Council’s financial assets does not anticipate any impairment.
- **IFRS 15 Revenue from Contract with Customers** presents new requirements for the recognition of revenue, set upon a control-based revenue recognition model. It is not expected to have any impact upon Council finances.
- **IAS 7 Statement of Cash Flows (Disclosure Initiative)** will potentially require some additional analysis of Cash Flows from Financing Activities (note 26). If the standard had been applied in 2017/18 there would be no additional disclosure for the Council.

2. Critical Judgements in Applying Accounting Policies

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

- In preparing the 2017/18 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
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision.
- The Council has reviewed the arrangements in place for operation of the Leicestershire Partnership – Revenues and Benefits. The Joint Committee has been classified as a ‘Jointly Controlled Operation’ on the basis that it is not a separate legal entity and has been accounted for in line with the Council’s Accounting Policies for these arrangements.

3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council’s Balance Sheet at 31st March 2018 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE *Core Financial Statements*

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Property Plant and Equipment are reviewed for both economic and price impairment on an annual basis. Any movement in market value of property will have any impact on the Council's valuation.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>If an asset is impaired the carrying amount of the asset is reduced.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are made by actuaries appointed by Leicestershire County Council who administer the pension fund.</p>	<p>The effect on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • A decrease in the discount rate assumption would result in an increase in pension liability. • A one year increase in member life expectancy would result in an increase in pension liability. • An increase in the pension rate would result in an increase in pension liability. • A 1% increase in the pension liability would decrease the Council's net assets by £0.336 million.
Provisions	<p>The council has made provision in relation to National Non-Domestic Rate Appeals. This provision is based on an estimation of any future liability and the likelihood that these costs will be incurred.</p>	<p>If the estimates used in the calculation of the provision prove to be inaccurate then there will be further income or expenditure incurred by the General Fund via the Collection Fund.</p>

4. Material Items of Income and Expenses

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

5. Events After the Balance Sheet Date

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

Adjusting Events

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

Non-adjusting Events

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

The Statement of Accounts were authorised for issue on 30th May 2018 by A. Wilson, Head of Finance.

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

NOTES TO THE Core Financial Statements

6. Adjustments between Accounting Basis and Funding Basis under Regulation

2017/18	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000

Adjustments primarily involving the Capital Adjustment Account

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute

Charges for depreciation and amortisation of non-current assets (1,589) (2,630) 0 0 0 4,219

Revaluation losses/gains on Property Plant and Equipment (2,396) 864 0 0 0 1,532

Revenue expenditure funded from capital under statute (989) 0 0 0 0 989

Capital expenditure financed from Unapplied Grants and Contributions 1,676 13 0 0 0 (1,689)

Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 0 (2,511) 0 0 0 2,511

Capital expenditure charged to fund balances 0 0 0 0 0 0

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute

Statutory Provision for the financing of capital investment 1,434 0 0 0 0 (1,434)

(1,865) (4,264) 0 0 0 6,127

Adjustments primarily involving the Capital Grants Unapplied Reserve

Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement 249 0 0 0 (249) 0

Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account 540 2,876 0 0 0 (3,416)

Application of grants to capital financing transferred to the Capital Adjustment Account 0 0 0 0 652 (652)

789 2,876 0 0 403 (4,068)

Adjustments primarily involving the Capital Receipts Reserve

Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 719 2,618 (3,337) 0 0 0

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool (415) 0 415 0 0 0

Use of the Capital Receipts reserve to finance new expenditure 0 0 830 0 0 (830)

304 2,618 (2,091) 0 0 (830)

NOTES TO THE *Core Financial Statements*

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repair Reserves £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Adjustments involving the Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,738)	(565)	0	0	0	4,303
Employers pension contribution payable in the year	1,755	333	0	0	0	(2,088)
	(1,983)	(232)	0	0	0	2,215
Adjustments involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,041	0	(3,041)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	2,850	0	(2,850)
	0	3,041	0	(191)	0	(2,850)
Adjustments involving the Collection Fund Adjustment Reserve						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(191)	0	0	0	0	191
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	276	0	0	0	0	(276)
	85	0	0	0	0	(85)
Adjustment involving the Accumulated Absences Adjustment Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	7	0	0	0	0	(7)
Adjustment involving the Financial Instrument Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	5	0	0	0	0	(5)
	(2,658)	4,040	(2,091)	(191)	403	497

2016/17	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repair Reserves £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Charges for depreciation and amortisation of non-current assets	(1,443)	(2,111)	0	0	0	3,554
Revaluation losses/gains on Property Plant and Equipment	208	37,937	0	0	0	(38,145)
Revenue expenditure funded from capital under statute	(1,152)	0	0	0	0	1,152
Capital expenditure financed from Unapplied Grants and Contributions	355	0	0	0	0	(355)
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	(120)	(1,910)	0	0	0	2,030
Capital expenditure charged to fund balances	150	0	0	0	0	(150)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Statutory Provision for the financing of capital investment	1,058	0	0	0	0	(1,058)
	(944)	33,916	0	0	0	(32,972)
Adjustments primarily involving the Capital Grants Unapplied Reserve						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,071	6	0	0	(1,077)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	565	2,882	0	0	0	(3,447)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	732	(732)
	1,636	2,888	0	0	(345)	(4,179)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	160	2,576	(2,736)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(470)	0	470	0	0	0
Use of the Capital Receipts reserve to finance new expenditure	0	0	307	0	0	(307)
	(310)	2,576	(1,959)	0	0	(307)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,681)	(355)	0	0	0	3,036
Employers pension contribution payable in the year	1,645	323	0	0	0	(1,968)
	(1,036)	(32)	0	0	0	1,068
Adjustments involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,009	0	(3,009)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	2,808	0	(2,808)
	0	3,009	0	(201)	0	(2,808)
Adjustments involving the Collection Fund Adjustment Reserve						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	83	0	0	0	0	(83)
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(27)	0	0	0	0	27
	56	0	0	0	0	(56)
Adjustment involving Accumulated Absences Adjustment Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	13	2	0	0	0	(15)
Adjustment involving the Financial Instrument Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3	0	0	0	0	(3)
	(582)	42,359	(1,959)	(201)	(345)	(39,272)

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 2017/18. In addition the note outlines balances of unapplied grants and contributions.

	Balance at 31st March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31st March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31st March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Commutation & Feasibility	26	(26)	0	0	0	0	0
Benefits	59	0	0	59	0	0	59
Local Plan Procedure	676	(187)	180	669	(62)	0	607
Pensions Contribution	162	0	0	162	(55)	0	107
Waste Management	274	(200)	0	74	0	227	301
ICT	180	(24)	50	206	(15)	59	250
Asset Management	1,261	(150)	0	1,111	(313)	0	798
Planning Delivery Grant	40	(11)	0	29	(11)	0	18
Workforce Strategy	13	(13)	0	0	0	0	0
Elections	122	0	0	122	0	0	122
Grounds Maintenance	108	0	25	133	(6)	0	127
Transformation	164	(117)	100	147	(95)	0	52
Relocation	101	0	0	101	(51)	0	50
Special Expenses	147	(5)	0	142	(13)	20	149
Carry Forwards	205	(205)	266	266	(228)	188	226
Hub Future Rental Management	0	0	100	100	0	250	350
Business Rates Equalisation	671	0	1,046	1,717	(70)	727	2,374
Leisure	250	(250)	0	0	0	0	0
Maintenance Fund - Green Towers	10	0	10	20	0	5	25
Market Income	15	(15)	0	0	0	0	0
Car Parking Income	25	(25)	0	0	0	0	0
Appeals	222	(222)	0	0	0	0	0
Enforcement & Planning Appeals	114	0	156	270	0	0	270
Planning Capacity	83	(83)	0	0	0	0	0
Earl Shilton Toilets	0	0	100	100	0	0	100
Building Maintenance Costs	0	0	0	0	0	388	388
Developing Communities Fund	0	0	950	950	(192)	301	1,059
Total Earmarked Reserves	4,928	(1,533)	2,983	6,378	(1,111)	2,165	7,432
Unapplied Grants and Contributions	2,989	(1,213)	1,554	3,330	(1,645)	1,241	2,926
Total General Fund	7,917	(2,746)	4,537	9,708	(2,756)	3,406	10,358

NOTES TO THE *Core Financial Statements*

7. Transfers To/From Earmarked Reserves (continued)

	Balance at 31st March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31st March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31st March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Housing Revenue Account</u>							
HRA Piper Balance	152	(6)	10	156	0	11	167
HRA Communal Furniture	5	0	0	5	0	0	5
HRA Housing Repairs Account	678	(235)	0	443	(114)	0	329
Major Repairs Reserve	207	(2,807)	3,009	409	(2,850)	3,040	599
Regeneration	10,076	(2,876)	2,967	10,167	(2,875)	2,565	9,857
Pension Contributions	29	0	4	33	0	3	36
Service Improvement	50	0	0	50	0	0	50
HRA Carry Forwards	3	0	40	43	0	0	43
Total HRA Earmarked Reserves	11,200	(5,924)	6,030	11,306	(5,839)	5,619	11,086
HRA Unapplied Grants and Contributions	7	0	6	13	0	0	13
Total Housing Revenue Account	11,207	(5,924)	6,036	11,319	(5,839)	5,619	11,099

Earmarked Reserves General Fund

Commutation and Feasibility Reserve

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

Benefits Reserve

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

Local Plan Procedure Reserve

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

Pensions Contribution Reserve (General Fund and HRA)

This reserve has been created to meet future potential increases in employer's pension contributions resulting from triennial valuations of the Pensions Fund and requirements for "opt in" in 2017.

7. Transfers To/From Earmarked Reserves (continued)

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.

ICT Reserve

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

Asset Management Reserve

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

Planning Delivery Grant Reserve

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

Workforce Strategy Reserve

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

Elections Reserve

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

Grounds Maintenance Machinery Reserve

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

Transformation Reserve

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

Relocation Reserve

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

Special Expenses Reserve

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

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.

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.

Business Rates Equalisation Reserve

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

Leisure Reserve

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

Maintenance Fund – Green Towers Reserve

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

Market Income 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 & Planning Appeals Reserve

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

Planning Capacity

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

7. Transfers To/From Earmarked Reserves (continued)

Earl Shilton Toilets Reserve

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

Building Maintenance Costs

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

Developing Communities Fund

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

Earmarked Reserves Housing Revenue Account

Piper Balance Reserve

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

Communal Furniture Reserve

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

Housing Repairs Account Reserve

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

Regeneration Reserve

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

Service Improvement Reserve

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

NOTES TO THE *Core Financial Statements*

8. Other Operating Expenditure

	2017/18 £'000	2016/17 £'000
(Gain)/ Losses on disposal of Non Current Assets	(826)	(709)
Amounts due to Precepting Authorities	1,861	1,742
Contribution to Housing Pooled Capital Receipts	415	470
Total Operating Expenditure	1,450	1,503

9. Financing and Investment Income and Expenditure

	2017/18 £'000	2016/17 £'000
Interest Payable and Similar Charges (see note 37)*	2,932	2,959
Pension Interest Costs (see note 36)	2,475	2,677
Net Surplus of Undertakings (see note 27)	1,224	(378)
Interest and Investment Income (see note 37)	(84)	(59)
Expected Return on Pension Assets (see note 36)	(1,569)	(1,707)
Total Financing and Investment Income & Expenditure	4,978	3,492

* - Interest payable in 2017/18 includes £2.088 million interest on HRA self financing loans (2016/17 HRA interest £2.088 million)

10. Taxation and Non Specific Grant Income

	2017/18 £'000	2016/17 £'000
Council Tax	(6,679)	(6,057)
Revenue Support Grant (see note 30)	(754)	(1,257)
National Non Domestic Rates	(2,239)	(2,820)
New Homes Bonus (see note 30)	(2,800)	(2,916)
S31 Grant Income (see note 30)	(1,192)	0
Total Taxation and Non Specific Grant Income	(13,664)	(13,050)

11. Property, Plant and Equipment

2017/18

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Infrastructure Assets	Assets under Construction	Surplus Assets	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2017	135,183	52,084	7,376	4,943	1,506	1,287	1,890	204,269
Reclassification of Accumulated Depreciation	35,895	(137)	0	0	0	0	0	35,758
Balance at 1st April 2017	171,078	51,947	7,376	4,943	1,506	1,287	1,890	240,027
Asset								
Transfers/Reclassifications	1,183	(2,594)	6	3	0	(598)	2,000	0
Transfer to Asset held for Sale	0	0	0	0	0	0	(1,890)	(1,890)
Additions	5,372	535	270	145	0	1,223	7	7,552
Revaluation								
Increases/(Decreases)								
- Recognised in the Revaluation Reserve	847	1,756	0	0	0	0	33	2,636
- Recognised in Provision of Services	864	(2,689)	0	0	0	0	0	(1,824)
Derecognition - Disposals	(2,511)	0	0	0	0	0	0	(2,511)
As at 31st March 2018	176,833	48,956	7,652	5,091	1,506	1,912	2,040	243,990
Depreciation and Impairments								
As at 1st April 2017	35,895	(137)	(3,640)	0	(390)	0	0	31,728
Reclassification of Accumulated Depreciation	(35,895)	137	0	0	0	0	0	(35,758)
Balance at 1st April 2017	0	0	(3,640)	0	(390)	0	0	(4,030)
Depreciation charge	(2,559)	(770)	(597)	0	(56)	0	0	(3,982)
Depreciation written out to								
- The Revaluation Reserve	2,559	477	0	0	0	0	0	3,037
- The Provision of Services	0	293	0	0	0	0	0	293
As at 31st March 2018	0	0	(4,237)	0	(446)	0	0	(4,682)
Net Book Value at 31st March 2018	176,833	48,956	3,415	5,091	1,060	1,912	2,040	239,307

11. Property, Plant and Equipment (continued)

2016/17

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Infrastructure Assets	Assets under Construction	Surplus Assets	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2016	132,566	34,100	7,090	4,561	1,674	14,384	0	194,375
Transfers	0	12,405	0	255	(168)	(14,382)	1,890	0
Additions	4,527	2,625	286	127	0	1,285	0	8,850
Revaluation Increases/(Decreases)								
- Recognised in the Revaluation Reserve	0	3,054	0	0	0	0	0	3,054
- Recognised in Provision of Services	0	21	0	0	0	0	0	21
Derecognition - Disposals	(1,910)	(121)	0	0	0	0	0	(2,031)
As at 31st March 2017	135,183	52,084	7,376	4,943	1,506	1,287	1,890	204,269
Depreciation and Impairments								
As at 1st April 2016	0	0	(2,919)	0	(334)	0	0	(3,253)
Depreciation charge	(2,042)	(519)	(721)	0	(56)	0	0	(3,338)
Depreciation written out to								
- The Revaluation Reserve	0	194	0	0	0	0	0	194
- The Provision of Services	37,937	188	0	0	0	0	0	38,125
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
As at 31st March 2017	35,895	(137)	(3,640)	0	(390)	0	0	31,728
Net Book Value at 31st March 2017	171,078	51,947	3,736	4,943	1,116	1,287	1,890	235,997

11. Property, Plant and Equipment (continued)

Depreciation

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

Asset Classification

Basis of Depreciation

Council Dwellings

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

Land

Not depreciated.

Operational Buildings

Residual lives provided by the valuer in report of 31st March 2018. Depreciation is based upon the updated residual lives of revalued properties.

Vehicles, Plant and Equipment

Based on expected lives of the asset.

Infrastructure Assets

Depreciated over a 40 year life.

Community Assets

Not depreciated as these are land assets.

Intangible Assets

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

Heritage Assets

Not depreciated as have indefinite life.

Surplus Assets

Not depreciated.

Capital Commitments

At 31st March 2018, the Council had capital commitments of £0.198 million relating to Martinshaw Lane housing development.

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 2018. 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.

12. Heritage Assets

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

	2017/18 £'000	2016/17 £'000
Opening Balance	121	121
Closing Balance	121	121

13. Intangible Assets

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

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

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £0.238 million charged to revenue in 2017/18 was charged to IT Administration cost centres and then absorbed as an overhead across all the service headings in the net expenditure of respective services.

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

	2017/18 £'000	2016/17 £'000
Opening Balance		
Gross carrying amounts	1,692	1,458
Accumulated amortisation	(870)	(652)
Net carrying amount – Opening Balance	822	806
Additions	103	234
Amortisation for the period	(238)	(218)
Net carrying amount – Movements in Year	(135)	16
Closing Balance		
Gross Carrying amounts	1,794	1,692
Accumulated amortisation	(1,107)	(870)
Net carrying amount - Closing Balance	687	822

14. Assets Held for Sale

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

	2017/18 £000's	2016/17 £000's
Opening Balance	0	0
Assets Newly Classified	1,890	0
Revaluations / (Impairments)		
- Recognised in the Revaluation Reserve	(90)	0
- Recognised in Provision of Services	0	0
Closing Balance	1,800	0

15. Cash and Cash Equivalents

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

	2017/18 £'000	2016/17 £'000
Cash held by the Council	1	0
Bank Current Accounts	(371)	(50)
Short-term deposits with Building Society/Banks	5,582	6,878
Regional Growth Funding - short-term deposit *	0	29
	5,212	6,857

* This balance relates to cash held in the bank at year end relating to Regional Growth Funding.

16. Investments

The Council's investments are detailed below:

	2017/18 £'000	2016/17 £'000
Other Short Term Investments (< 1 Year)	9,800	4,000
Long Term Investments (> 1 Year)	0	0
Total Investments	9,800	4,000

NOTES TO THE *Core Financial Statements*

17. Long Term Receivables

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

	2017/18 £'000	2016/17 £'000
North West Leicestershire District Council	104	111
Hinckley Museum	4	4
Car Loans to Employees	30	57
Salary Sacrifice	3	10
Total Long Term Receivables	141	182

18. Short Term Receivables

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

	2017/18 £'000	2016/17 £'000
Car Loans to Employees	16	18
Salary Sacrifice	12	10
Rail Season Ticket Loan	1	1
Central Government Bodies	780	909
Other Local Authorities	948	645
Other Public Bodies	(0)	4
Housing Rent	996	745
Sundry Debtors	1,943	2,630
Council Tax, Community Charge and NNDR	3,026	3,357
Prepayments	277	333
Provision for Doubtful Debts	(2,317)	(2,174)
Total Short Term Receivables	5,681	6,478

19. Short Term Payables

	2017/18 £'000	2016/17 £'000
<i>Short Term Payables</i>		
Section 106	645	882
Inland Revenue	226	211
Other Local Authorities	2,021	1,654
Deferred Income – Green Bins	200	341
Housing Rents	128	112
Regional Growth Funding	0	10
Sundry Creditors	2,597	2,738
Bus Station – Compulsory Purchase Order	99	1,609
Central Government Bodies	1,209	196
Council Tax and National Non Domestic Rates	3,223	4,389
Total Short Term Payables	10,348	12,142

NOTES TO THE *Core Financial Statements*

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

	2017/18 £'000	2016/17 £'000
<i>Long Term Payables</i>		
Section 106	1,296	1,380
Other Long Term Payables	70	80
Total Long Term Payables	1,366	1,460
Total Payables	11,714	13,602

20. Short Term Provisions

2017/18

	Capital Cost of Early Retirement Provision £'000	Planning Appeal Provision £'000	Business Rate Appeals Provision £'000	Total £'000
Balance at 1st April 2017	17	10	928	955
Additional provisions arising in the year	3	0	851	875
Amounts used during the year	(7)	0	(594)	(622)
At 31st March 2018	13	10	1,185	1,208

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. 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.

NOTES TO THE *Core Financial Statements*

20. Short Term Provisions (continued)

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

21. Other Long term Liabilities

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

	31st March 2018 £'000	31st March 2017 £'000
Pensions Liability (see note 36)	33,607	34,243
Finance Lease Liabilities (see note 34)	7,829	8,275
Total Long Term Liabilities	41,436	42,518

22. Usable Reserves

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

NOTES TO THE *Core Financial Statements*

23. Unusable Reserves

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

	Balance at 31st March 2018	Movements in Year	Balance at 31st March 2017	Movements in Year	Balance at 31st March 2016
	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(12,814)	(5,492)	(7,322)	(3,116)	(4,206)
Capital Adjustment Account	(124,018)	(1,712)	(122,306)	(40,397)	(81,909)
Pensions Reserve	33,607	(636)	34,243	6,573	27,670
Accumulated Absences Reserve	104	(7)	111	(15)	126
Collection Fund Adjustment Account - Council Tax	(40)	191	(231)	(83)	(149)
Collection Fund Adjustment Account - NNDR	150	(276)	426	27	400
Financial Instruments Adjustment Account	8	(5)	13	(3)	16
Total Unusable Reserves	(103,003)	(7,937)	(95,066)	(37,014)	(58,052)

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.

	2017/18 £'000	2016/17 £'000
Balance at 1st April	(7,322)	(4,206)
Upward Revaluation of Assets	(7,074)	(3,357)
Adjustment between current value depreciation and historic cost depreciation	1,490	109
Accumulated gains on assets sold or scrapped / written off to the Capital Adjustment Account	0	106
Write out of revaluation on disposal; property, plant and equipment	91	26
Balance at 31st March	(12,814)	(7,322)

23. Unusable Reserves (continued)

Capital Adjustment Account

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

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

	2017/18 £'000	2016/17 £'000
Balance at 1st April	(122,306)	(81,909)
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	4,220	3,554
Revaluation losses / (gains) on Property Plant and Equipment	1,532	(38,145)
Revenue Expenditure Funded from Capital under Statute	989	1,152
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	2,511	1,925
	9,251	(31,514)
Write out of revaluation on disposal; property, plant and equipment	(91)	(26)
	9,160	(31,540)
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(830)	(307)
Use of the Major Repair Reserve to finance new capital expenditure	(2,850)	(2,808)
Capital grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	(1,689)	(355)
Application of grants to capital financing from the Capital Grants Unapplied Account	(652)	(732)
Statutory provisions for financing of capital investment charged against the General Fund and HRA balances	(1,434)	(1,058)
Capital expenditure charged against the General Fund and HRA balances	(3,416)	(3,597)
	(1,712)	(40,397)
Balance at 31st March	(124,018)	(122,306)

23. Unusable Reserves (continued)

Pension Fund Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. The arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

	2017/18	2016/17
	£'000	£'000
Balance at 1st April	34,243	27,670
Actuarial (gains) or losses on pension assets and liabilities	(2,851)	5,505
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,303	3,036
Employers pension contribution payable in the year	(2,088)	(1,968)
Balance at 31st March	33,607	34,243

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.

	2017/18	2016/17
	£'000	£'000
Balance at 1st April	111	126
Settlement or cancellation of accrual made at the end of the preceding year	(111)	(126)
Amounts accrued at the end of the current year	104	111
Balance at 31st March	104	111

23. Unusable Reserves (continued)

Collection Fund Adjustment Account

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

	2017/18 £'000	2016/17 £'000
Balance at 1st April	195	251
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	191	(83)
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	(276)	27
Balance at 31st March	110	195

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.

	2017/18 £'000	2016/17 £'000
Balance at 1st April	13	16
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(5)	(3)
Balance at 31st March	8	13

NOTES TO THE *Core Financial Statements*

24. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

	2017/18 £'000	2016/17 £'000
Interest Received (See note 9)	(84)	(59)
Interest Paid (See note 9)	2,932	2,959

25. Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

	2017/18 £'000	Restated 2016/17 £'000
Purchase of short-term and long-term investments	38,600	25,000
Purchase of property, plant and equipment, investment property and intangible assets	7,986	10,328
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(4,507)	(2,740)
Proceeds from short-term and long-term investments	(32,800)	(21,000)
Other proceeds not in above	(719)	0
Net cash flows from investing activities	8,560	11,588

** We have restated the comparative figures for the purchase and sales proceeds of short and long term investments to more closely reflect the Accounting Policy (Short term investments are more than 90 days). There is no impact on the primary financial statements.*

26. Cash Flow Statement – Financing Activities

	2017/18 £'000	2016/17 £'000
Cash receipts from short and long term borrowing	(2,000)	0
Cash payments for the reduction of outstanding liabilities relating to Finance Leases	446	426
Repayment of short and long term borrowing	2,000	0
Other payments not in above	(73)	(661)
Net cash flows from financing activities	373	(235)

NOTES TO THE *Core Financial Statements*

27. Trading Operations

The Council operated the following trading services in 2017/18 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.

	2017/18	2017/18	2017/18	2016/17
	Income	Expenditure	(Surplus)/ Deficit	(Surplus)/ Deficit
	£'000	£'000	£'000	£'000
Markets	(130)	195	65	39
Industrial Estates	(768)	333	(435)	(341)
Grounds Maintenance DSO	(1,037)	989	(48)	(154)
Housing Repairs DSO	(1,420)	1,580	160	55
External Painting	(139)	151	12	23
Net Surplus on ordinary activities	(3,494)	3,248	(246)	(378)
Property Revaluation	0	1,470	1,470	0
Net (surplus)/deficit reported in Financing and Investment Income and Expenditure (Note 9)	(3,494)	4,718	1,224	(378)

28. Members' Allowances

Total members' allowances paid in 2017/18 were £224,351 (2016/17 - £224,873) and £5,430 were paid for members' expenses (2016/17 – £6,180).

29. External Audit Costs

In 2017/18 Hinckley and Bosworth Borough Council incurred the following fees relating to external audit and inspection:

	2017/18	2016/17
	£'000	£'000
External Audit Services	49	49
Certification of Grant Claims and Returns	15	15
Non Audit Works	3	2
Audit Refund	(7)	0
Total Fees Payable	60	66

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

30. Grant Income

	2017/18 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant	754	1,257
Section 31 Grant	1,192	0
New Homes Bonus	2,800	2,916
Total	4,746	4,173
Credited to Services:		
Disabled Facilities	482	251
Waste and Recycling	517	490
Syrian refugees	(4)	4
Homelessness	102	50
Housing Benefit Administration	208	245
Benefit Reimbursements	15,529	17,798
Council Tax Admin Grant	117	117
Housing Assistance Grant	0	67
Developer Contributions	187	365
Community Safety	30	34
Sports Grants	1,204	137
Play and Open Space	42	505
Elections	17	18
NNDR Cost of Collection	127	125
Revenue & Benefits Server	68	0
Homes and Communities Agency	0	40
Universal Credit	78	13
New Burdens	78	48
Business Rates Retention	0	620
Works in Default	73	19
Other Government Grant	21	47
Other	10	6
Total	18,886	20,999
Total Grant Income	23,632	25,172

The council has £39,398 of income held as a capital grants received in advance. Of this, £10,697 relates to private sector housing enforcement, £11,056 relates to a grant from the East Midlands Development Agency and £7,660 relates to waste management. These are yet to be recognised as income.

31. Related Party Transactions

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

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

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

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

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2017/18 is shown in note 28.

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

32. Capital Expenditure and Capital Financing

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

NOTES TO THE *Core Financial Statements*

32. Capital Expenditure and Capital Financing (continued)

	2017/18 £'000	2016/17 £'000
Opening Capital Financing Requirement	107,379	105,999
Capital Investment		
Property Plant and Equipment	7,552	8,850
Intangible Assets	103	234
REFCUS	989	1,152
Total Expenditure in Year	8,644	10,236
Sources of Finance		
Application of Usable Capital Receipts	(830)	(307)
Application of Capital Grants Contributions/Reserves	(6,391)	(7,091)
Capital Financed from Revenue	(2,631)	(1,458)
	(9,852)	(8,856)
Closing Capital Financing Requirement	106,171	107,379
Movement in the Year	1,208	(1,380)
Explanation of Movement in the Year		
Unsupported Financial Assistance	(226)	(2,439)
Minimum Revenue Provision	1,434	1,059
	1,208	(1,380)

33. Officers' Remuneration

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

Remuneration Band	2017/18 Number of employees	2016/17 Number of employees
£50,000 - £54,999	3	3
£55,000 - £59,999	5	5
£60,000 - £64,999	3	3
£65,000 - £69,999	1	1
£70,000 - £74,999	1	0

NOTES TO THE Core Financial Statements

33. Officers' Remuneration (continued)

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

Post holder information (Post title)	Year	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of Office	Benefits in Kind (e.g. Car Allowance)	Total Remuneration Excluding pension contributions	Pension Contribution	Total Remuneration Including pension contributions
		£	£	£	£	£	£	£
Chief Executive (Former) ¹	2016/17	131,302	0	0	0	131,302	17,916	149,218
Chief Executive (Current) ²	2016/17	27,500	0	0	0	27,500	4,758	32,258
	2017/18	111,100	0	0	0	111,100	22,664	133,764
Deputy Chief Executive Community Direction ¹	2016/17	73,580	0	0	0	73,580	12,729	86,309
	2017/18	0	0	0	0	0	0	0
Deputy Chief Executive Corporate Direction ³	2016/17	21,256	0	93,202	0	114,458	2,829	117,287
	2017/18	0	0	0	0	0	0	0
Chief Officer - Housing, Community Safety & Partnerships ¹	2016/17	52,154	0	0	0	52,154	9,022	61,176
	2017/18	0	0	0	0	0	0	0
Director (Community Services) ²	2016/17	18,750	0	0	0	18,750	3,244	21,994
	2017/18	75,750	0	0	0	75,750	15,453	91,203
Chief Officer - Environmental Health ¹	2016/17	52,154	0	0	0	52,154	9,022	61,176
	2017/18	0	0	0	0	0	0	0
Director (Environment and Planning) ²	2016/17	18,750	0	0	0	18,750	3,244	21,994
	2017/18	75,750	0	0	0	75,750	15,453	91,203
*Chief Officer - Corporate Governance & Housing Repairs ¹	2016/17	59,304	0	0	0	59,304	10,259	69,563
	2017/18	0	0	0	0	0	0	0
Director (Corporate Services) ²	2016/17	18,750	0	0	0	18,750	3,244	21,994
	2017/18	75,750	0	0	0	75,750	14,707	90,457
**Chief Officer – Finance, Customer Services & Compliance ⁴	2016/17	9,964	0	26,471	0	36,435	129	36,564
	2017/18	0	0	0	0	0	0	0
Head of Finance ²	2016/17	16,112	0	0	0	16,112	2,787	18,899
	2017/18	65,145	0	0	0	65,145	13,290	78,435

NOTES TO THE *Core Financial Statements*

33. Officers' Remuneration (continued)

Notes

1. The 2016/17 comparatives cover the period 1st April – 31st December 2016
2. The 2016/17 comparatives cover the period 1st January – 31st March 2017 (Senior Management Restructure implemented)
3. The 2016/17 comparatives cover the period 1st April – 31st May 2016
4. The 2016/17 comparatives cover the period 1st April – 30th September 2016
5. The Head of Finance post was partially covered by a consultant during 2016-17. The cost of the consultant was £51,791 in 2016-17.
6. The senior management structure of the council was restructured in 2016-17. The table below summarises the various senior management/leadership teams in place for 2016-17 and 2017-18 and the respective number of staff in each.

	2016-17	2017-18
Chief Executive	1	1
Directors	3	3
Head of Finance	1	1

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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
							£	£
£0 - £20,000	0	0	3	0	3	0	19,082	0
£20,001 - £60,000	0	0	1	1	1	1	24,107	26,471
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £200,000	0	0	0	1	0	1	0	93,202
TOTAL	0	0	4	2	4	2	43,189	119,673

NOTES TO THE *Core Financial Statements*

34. Leases

Council as Lessee

Finance Leases

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

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

	As at 31st March 2018 £'000	As at 31st March 2017 £'000
Other Land and Buildings	6,831	6,831
Vehicles, Plant, Furniture and Equipment	591	848
Total Value	7,423	7,679

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

	As at 31st March 2018 £'000	As at 31st March 2017 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	152	518
Non Current	7,677	7,757
Finance Costs payable in future years	11,692	11,619
Minimum Lease Payments	19,521	19,894

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000	31st March 2017 £'000
Within one year	680	1,053	152	518
Between one and five years	2,431	2,431	377	353
After five years	16,410	16,410	7,300	7,404
Total	19,521	19,894	7,829	8,275

NOTES TO THE *Core Financial Statements*

34. Leases (continued)

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 2017/18 was £1,521,585 (£1,344,805 2016/17).

Lease payments due

	2017/18	2016/17
	£'000	£'000
Within 1 Year	1,520	1,467
Between 2 and 5 Years	6,771	6,642
Later than 5 Years	0	0
	8,291	8,109

35. Impairment Review

During 2017/18, the Council underwent an impairment review through the following means:

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

As a result of the above, the Council has recognised a net impairment loss of £3.727 million in the Comprehensive Income and Expenditure Statement split as follows:

	2017/18	2016/17
	£'000	£'000
Property Plant and Equipment	3,727	56
	3,727	56

36. Pensions and Retirement Benefits

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

The objectives of IAS 19 are to ensure that:-

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

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

Participation in Pension Schemes

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

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

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

Payments to the Pension Fund

It is budgeted that the Council will pay Leicestershire County Council £2.221 million in employer's pension contributions in the year 2018/19.

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.

NOTES TO THE *Core Financial Statements*

36. Pensions and Retirement Benefits (continued)

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

Income and Expenditure Account	2017/18 £'000	2016/17 £'000
Net Cost of Service		
Current Service Cost	3,380	2,049
Administration Expenses	17	17
	3,397	2,066
Net Operating Expenditure		
Pension Interest Costs	2,475	2,677
Expected return on Assets	(1,569)	(1,707)
Net Interest Cost	906	970
	4,303	3,036
Total charged to Comprehensive Income and Expenditure Statement		
	4,303	3,036
Statement of Movement on the General Fund Balance		
(Reversal of) Net Charges Made for Retirement Benefits in Accordance with IAS19	(4,303)	(3,036)
Actual Amount Charged Against General Fund Balance for Pensions in Year	2,005	1,884

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £2.851 million (2016/17 losses of £5.505 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 2018 is £24.516 million (£27.367 million to 31st March 2017).

Balance Sheet Recognition	31st March 2018 £'000	31st March 2017 £'000
Present value of the defined benefit obligation	96,821	94,497
Fair value of plan assets	(63,214)	(60,254)
Net liability arising from defined benefit obligation	33,607	34,243

36. 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

	2017/18 Unfunded	2017/18 Funded	2016/17 Unfunded	2016/17 Funded
	£'000	£'000	£'000	£'000
Fair value of plan assets at 1 April	0	60,254	0	48,813
Interest on plan assets	0	1,569	0	1,707
Remeasurements (assets)	0	1,139	0	9,735
Employer contributions	83	2,005	84	1,884
Member contributions	0	581	0	544
Benefits/transfers paid	(83)	(2,334)	(84)	(2,429)
Fair Value of plan assets as at 31 March	0	63,214	0	60,254

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

	2017/18 Unfunded	2017/18 Funded	2016/17 Unfunded	2016/17 Funded
	£'000	£'000	£'000	£'000
Benefit obligation at 1 April	1,401	93,096	1,296	75,187
Current service cost	0	3,380	0	2,049
Interest on pension liabilities	0	2,475	0	2,677
Member contributions	0	581	0	544
Remeasurements (liabilities)	40	(1,752)	189	15,051
Benefits/transfers paid	(83)	(2,334)	(84)	(2,429)
Administration expenses	0	17	0	17
Benefit obligation as at 31 March	1,358	95,463	1,401	93,096

NOTES TO THE *Core Financial Statements*

36. Pensions and Retirement Benefits (continued)

Local Government Pension Scheme Assets comprised:

Asset Category	31st March 2018 £'000	31st March 2017 £'000
Cash & Cash Equivalents	2,630	3,848
Equity Instruments		
Other	1,534	1,557
Bonds		
Government	5,276	5,189
Other	577	660
Property		
UK Property	5,553	4,842
Private Equity		
All	2,248	2,275
Other Investment Funds		
Equities	29,779	28,859
Bonds	7,256	5,403
Hedge Funds	2,204	2,023
Commodities	1,481	1,420
Infrastructure	2,990	2,697
Other	1,870	1,509
Derivatives	(184)	(28)
Total	63,214	60,254

Scheme History

Scheme History	31st March 2018 £'000	31st March 2017 £'000	31st March 2016 £'000	31st March 2015 £'000	31st March 2014 £'000
Present Value of Scheme Liabilities	(96,821)	(94,497)	(76,483)	(86,974)	(73,173)
Fair Value of Scheme Assets	63,214	60,254	48,813	48,371	42,031
Net (Liability)/ Asset	(33,607)	(34,243)	(27,670)	(38,603)	(31,142)

36. Pensions and Retirement Benefits (continued)

Basis for Estimating Assets and Liabilities

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

Assumptions as at :	31st March 2018 Per Annum	31st March 2017 Per Annum
Pension Increase Rate	2.40%	2.40%
Rate of Increase in Salaries	3.40%	3.40%
Rate for Discounting Scheme Liabilities	2.70%	2.60%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting year. It assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous year.

Changes in assumptions at 31 March 2018	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.5% decrease in Real Discount Rate	10%	9,945
0.5% increase in the Salary Increase Rate	2%	1,527
0.5% increase in the Pension Increase Rate	9%	8,274

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next few years. The contribution rate is determined by the County Fund's Actuary based on a triennial actuarial valuation. A full valuation was carried out as at 31st March 2018. A roll forward valuation is performed by the actuary in the years between full valuations.

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

37. Financial Instruments

Financial Instruments Balances

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

	Long-Term		Current	
	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000	31st March 2017 £'000
Borrowings				
Financial liabilities	75,952	75,952	0	0
Accrued Interest	0	0	81	6
Financial liabilities at amortised cost (1)	75,952	75,952	81	6
Total included in borrowings	75,952	75,952	81	6
Other Long term Liabilities				
Finance lease liabilities	7,677	7,757	152	518
Total other long term liabilities	7,677	7,757	152	518
Payables				
Financial liabilities at amortised cost	1,366	1,460	7,125	7,225
Total payables	1,366	1,460	7,125	7,225
Investments				
Loans and receivables (principal amount)	0	0	9,800	4,000
+ Accrued interest	0	0	24	4
Loans and receivables at amortised cost (1)	0	0	9,824	4,004
Total investments	0	0	9,824	4,004
Receivables				
Loans and receivables	141	182	2,378	2,788
Total receivables	141	182	2,378	2,788

37. Financial Instruments (continued)

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.

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:

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

2016/17	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest Expense	2,959	0	2,959
Interest Income	0	(59)	(59)
Net loss/(gain) for the year	2,959	(59)	2,900

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.

37. Financial Instruments (continued)

- 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.

The fair values calculated are as follows:

Financial Liabilities

	31st March 2018		31st March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	75,952	84,840	75,952	85,965
Short term creditors	7,125	7,125	7,225	7,225
Short term finance lease liability	152	152	518	518
Long term creditors	1,366	1,366	1,460	1,460
Long term finance lease liability	7,677	7,677	7,757	7,757
Total Liabilities	92,272	101,160	92,912	102,925

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

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

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

	31st March 2018		31st March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Short term investments	9,800	9,822	4,000	4,003
Short term debtors	2,378	2,378	2,788	2,788
Long term debtors	141	141	182	182
Total Assets	12,319	12,341	6,970	6,973

37. Financial Instruments (continued)

Disclosure of nature and extent of risk arising from Financial Instruments

Key risks

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

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

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By the adoption of a Treasury Policy Strategy and treasury management clauses within its financial regulations/standing orders/constitution.
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt; and
 - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting Budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

37. Financial Instruments (continued)

The annual Treasury Management Strategy for 2017/18 to 2020/21 which incorporates the Prudential Indicators was approved by Council on 22 February 2018 and is available on the Council website. The key points within the Strategy were:

- The Authorised Limit for 2017/18 was set at £110,452 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £107,357 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 £112.506 million and £33.752 million based on the Council's net debt.

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

Credit risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £5million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of inability to recover applies to all of the Council's deposits, but there was no evidence at the 31st March 2018 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.

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37. Financial Instruments (continued)

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

	General Receivables 31st March 2018 £000's	General Receivables 31st March 2017 £000's
<3 months	920	706
3 to 6 months	276	178
6 months to 1 year	64	63
>1year	730	785
	1,990	1,732

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

Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Council deposits of £5.582m in money market accounts at 31st March 2018 were being held for a period of 3 months or less and therefore have been classified as cash and cash equivalents in line with the Code.

Refinancing and Maturity risk

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

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

NOTES TO THE *Core Financial Statements*

37. Financial Instruments (continued)

This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

Maturity Analysis	Approved minimum limits	Approved maximum limits	Actual 31st March 2018 £'000	Actual 31st March 2017 £'000
Less than 1 year	0%	100%	0	0
Between 1 and 2 years	0%	100%	2,941	0
Between 2 and 5 years	0%	100%	8,824	8,824
Between 5 and 10 years	0%	100%	14,707	14,707
More than 10 years	0%	100%	49,480	52,421
Total	0%	100%	75,952	75,952

Market risk

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

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

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

37. Financial Instruments (continued)

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

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

38. Contingent Liabilities

Business Rates

It is likely that appeals will be lodged in 2018/2019 against valuations made in 2017/2018. It is not possible to quantify the potential liabilities arising from these cases.

39. Contingent Asset

VAT on Postage Costs

The Council has submitted a claim to the High Court and HMRC to reclaim VAT on postage costs incurred. Both claims were made via a third party in 2014/15 but it is not known when these will be heard or concluded. The total value of both claims is £443,021.05 plus interest.

40. Revenues and Benefits Partnership

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

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by Hinckley and Bosworth Borough Council in 2017/18 was £1,268 million (2016/17 £1.224 million).

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

ADDITIONAL *financial* STATEMENTS

THE *Housing Revenue* Statement

THE *Collection Fund*

Housing Revenue Account 2017/18

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 2017/18

2016/17 £'000		2017/18 £'000
	Income	
(13,126)	Dwelling Rents (gross)	(12,829)
(82)	Non-dwelling Rents (gross)	(89)
(590)	Charges for Services and Facilities	(596)
(124)	Contribution Towards Expenditure	(160)
(13,922)	Total Income	(13,674)
	Expenditure	
2,705	Repairs and Maintenance	2,676
3,130	Supervision and Management	3,362
212	Rents, Rates, Taxes and other charges	212
2,111	Depreciation and impairments of fixed assets	2,630
(37,937)	Gain on Revaluation	(868)
4	Debt Management Costs	5
162	Contribution to the Bad Debt Provision	215
(29,613)	Total Expenditure	8,232
(43,535)	Net Cost of HRA Services per authority Comprehensive Income & Expenditure Account	(5,442)
2,088	Interest payable and similar charges	2,088
(31)	Interest and investment income	30
(670)	Gain or loss on sale of HRA non-current assets	(107)
(42,148)	(Surplus) or deficit for the year on HRA services	(3,491)
	Items included in the HRA I&E but excluded from the Movement on the HRA Balance for the year	
(355)	Net charges made for retirement benefits in accordance with IAS 19	(565)
670	Gain or (loss) on sale of HRA fixed assets	107
	Items not included in the HRA I&E but included from the Movement on the HRA Balance for the year	
37,937	Gain on Revaluation	868
3,009	Transfer from Major Repairs Reserve	3,041
(2,111)	Depreciation of Non-Current Assets	(2,630)
(235)	Transfer to/from Housing Repairs Account	(113)
323	Employers Contributions to the Leicestershire County Council pension scheme & retirement benefits	333
3,028	Contribution to/(from) Reserves	2,579
0	Contribution to/(from) Capital Financing	13
2	Movements regarding employee benefits accruals	0
42,268	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	3,633
120	(Surplus)/Deficit for the Year	142
(989)	Balance Brought Forward 1st April	(869)
(869)	Balance Carried forward 31st March	(727)

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.

2016/17 £'000		2017/18 £'000
INCOME		
(57,451)	Income from Council Tax	(60,433)
(32,564)	Income Collectable from Business Ratepayers	(31,176)
(90,015)	Total Income	(91,609)
EXPENDITURE		
55,965	Precepts and Demands from County, District, Fire and Police Authorities	59,568
33,444	Payments under Business Rates Retention	31,119
125	Costs of Collection	127
	<u>Bad and Doubtful Debts/Appeals</u>	
287	- Write Offs	457
370	Provisions	(27)
	<u>Contributions:</u>	
(860)	Distribution of Previous Year's Estimated Balance	1,464
89,331	Total Expenditure	92,708
(684)	Movement on Fund Balance	1,099
(411)	Opening Fund Balance 1st April	(1,095)
(1,095)	Closing Fund Balance 31st March	4

NOTES TO THE ADDITIONAL *financial* STATEMENTS

1. Housing Repairs Account

2016/17 £000's		2017/18 £000's
	Income	
(3,216)	Contribution from HRA	(3,193)
(1)	Miscellaneous Income	0
(3,217)	Total Income	(3,194)
	Expenditure	
374	Employee costs	386
0	Premises related costs	1
4	Transport related costs	2
272	Supplies and services costs	212
232	Central support costs	242
882		842
600	Programmed repairs	633
1,271	Responsive repairs	1,231
2,753	Total Expenditure	2,707
(464)	Net Cost of Service	(487)
(8)	IAS 19 Pension Adjustment	(49)
707	Contribution to reserves	650
235	Deficit/(Surplus) for the year	113
(676)	Balance brought forward 1st April	(441)
(441)	Balance carried forward 31st March	(328)

2. Movement in Dwelling Stock

The Council was responsible for managing a housing stock of 3,307 dwellings at 31st March 2018. During the year the following movement took place:

	2017/18 Number	2016/17 Number
Sales (Right to Buy)	(41)	(43)
Additions	36	1
Total Movement	(5)	(42)

NOTES TO THE ADDITIONAL *financial* STATEMENTS

3. Property Types in Dwelling Stock

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

	2018 Number	2017 Number
1 bedroom bungalows	277	275
1 bedroom houses	2	2
1 bedroom flats	632	614
2 bedroom bungalows	416	416
2 bedroom houses	308	302
2 bedroom flats	412	413
3 bedroom bungalows	11	6
3 bedroom houses	1,229	1,264
3 bedroom flats	1	1
4 bedroom bungalows	1	1
4 bedroom houses	16	15
5 bedroom houses	2	3
Total Dwellings	3,307	3,312

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

4. Balance Sheet Value of Council's HRA Assets

	2017/18 £'000	2016/17 £'000
Operational Assets		
- Council Dwellings	176,833	171,078
- Other land and buildings	841	818
Total Assets	177,674	171,896

The vacant possession value of dwellings within the Council's HRA was £402.06 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: -

	2017/18 £'000	2016/17 £'000
Collectable from Tenants	(6,651)	(6,200)
Rent Rebates	(6,178)	(6,926)
Dwelling Rents	(12,829)	(13,126)
Non-dwelling Rents (Shops etc)	(89)	(82)
Total Rent	(12,918)	(13,208)

NOTES TO THE ADDITIONAL *financial* STATEMENTS

6. Rent Arrears

	2017/18 £'000	2016/17 £'000
Rent Arrears	1,037	744
Bad Debt Provision	828	642
Bad Debts Written Off	11	24

7. Major Repairs Reserve

	2017/18 £'000	2016/17 £'000
Balance at 1st April	(408)	(207)
Amounts transferred to Reserve during the year	(3,041)	(3,009)
Capital Expenditure	2,850	2,808
Balance at 31st March	(599)	(408)

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 £6.616 million (£5.807 million 2016/17) was incurred. Expenditure on Dwellings was £6.587 million (£5.804 million in 2016/17), and expenditure on Vehicles Plant and Equipment was £0.029 million. (£0.003 million in 2016/17). The sources of funding are shown below:

	2017/18 £'000	2016/17 £'000
Capital receipts	350	118
Other Contributions from Reserves	3,416	2,881
Major Repairs Reserve	2,850	2,808
Total Financing	6,616	5,807

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

	2017/18 £'000	2016/17 £'000
Right to Buy Dwellings	2,511	2,413
Council House Mortgage Repayments	0	0
Total from Disposals	2,511	2,413

NOTES TO THE ADDITIONAL *financial* STATEMENTS

9. Depreciation/ Impairment

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

	2017/18 £'000	2016/17 £'000
Operational assets		
- Dwellings and garages	2,559	2,041
- Other land and buildings	23	23
- Vehicles, Plant and Equipment	48	47
Total Depreciation	2,630	2,111

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 £565,000 in 2017/18 (£355,000 in 2016/17).
2. Employer's contributions to the Leicestershire County Council pension fund and retirement benefits payable direct to pensioners. This amounted to £333,000 in 2017/18 (£323,000 in 2016/17).

11. Non-Domestic Rateable Value

	2018 £'000	2017 £'000
Value at 31st March	85,197	77,957

12. National Non-Domestic Rates Multiplier

	2017/18	2016/17
National Non-Domestic Rates multiplier	47.9p	49.7p
Small Business Multiplier	46.6p	48.4p

NOTES TO THE ADDITIONAL *financial* STATEMENTS

13. Council Tax Base

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

Band	2017/18	2016/17
A	3,757	3,655
B	9,536	9,229
C	8,341	8,197
D	6,517	6,385
E	4,705	4,554
F	2,855	2,766
G	1,538	1,508
H	113	105
Council Tax Base*	37,362	36,399

* In accordance with relevant regulations, the Council Tax base for the council is rounded to one decimal point. The total taxbase for 2017/18 was approved on 16th December 2016.

14. Significant Precepting Authorities

	2017/18	2016/17
	£'000	£'000
Leicestershire County Council	43,803	41,036
Leicestershire Police Authority	6,995	6,682
Leicester, Leicestershire and Rutland Combined Fire Authority	2,348	2,243
Hinckley and Bosworth Borough Council	6,422	6,004
Total	59,568	55,965

15. Fund Balances

The balance on the Fund is comprised as follows:

	31st March	31st March
	2018	2017
	£'000	£'000
A Deficit/(surplus) on Council Tax/ NNDR Collection.	4	(1,095)

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 2017/18 financial year and its position at the year-end of 31st March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18 (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 2017/18 financial year.

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

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

- Understandability
- Relevance
- Materiality
- Reliability
- Comparability

Significant changes in accounting policies

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting 2017/18. The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

Revenue Recognition

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

Recognition of Revenues-Council Tax and Non-Domestic Rates

Accounting for Council Tax

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

STATEMENT OF *accounting* POLICIES

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

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

Accounting for Non-Domestic Rates (NDR)

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

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

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

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2017/18 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 2018. 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 2018.

Exceptional Items

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

Value Added Tax (VAT)

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

STATEMENT OF *accounting* POLICIES

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

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

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

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

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

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the Balance Sheet. Expenditure is accrued where goods or services have been received before 31st March but the invoice relating to the goods and services is paid after 31st March. Income is accrued where income is due but an invoice has not been raised or payment has not been received.
- Provision is made for bad debts by identifying a proportion of the Council's receivables that should have their carrying value adjusted to the probable recoverable amount. Past experience and practice is used within material limits to judge the percentages of each type of debt that will eventually not be recovered.

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

STATEMENT OF *accounting* **POLICIES**

Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments; and
- The funding will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the relevant service line. General grants are credited to the Comprehensive Income and Expenditure Account and shown after Net Operating Expenditure.

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

Revenue Expenditure funded from Capital under Statute

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

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

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

Charges to Revenue for Non-current Assets

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

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

STATEMENT OF *accounting* POLICIES

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

Fair Value Measurement

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

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

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

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

Property, Plant and Equipment – Recognition and Impairment

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

STATEMENT OF *accounting* **POLICIES**

Recognition

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

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

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

Where a component is replaced or restored (i.e. enhancements), the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above being met.

Measurement

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

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

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

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

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

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

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

STATEMENT OF *accounting* **POLICIES**

Property, Plant and Equipment – Depreciation, Impairment and Disposal

Depreciation

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

Depreciation is provided in accordance with the following policies:

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

As part of the annual revaluation exercise, the valuer provides estimated residual lives for all dwellings, which is used to calculate the depreciation charge for the financial year. This method reflects the average range of expected life per dwelling of between 40-60 years. For 2017/18 the estimated residual life used was 46 years. Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. This policy is applied correspondingly when an impairment is required to be reversed

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

Disposal

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

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

STATEMENT OF *accounting* POLICIES

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

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

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

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

Assets under Construction

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

Intangible Assets

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

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

Heritage Assets

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

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

STATEMENT OF *accounting* POLICIES

Assets Held for Sale

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

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

Leases

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

STATEMENT OF *accounting* POLICIES

The Authority as Lessor:

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Cost of Services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line Basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income. Initial direct costs incurred in negotiating and arranging the lease, along with any incentive payments, are charged as an expense over the lease term on the same basis as rental income.

STATEMENT OF *accounting* POLICIES

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Reserves

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

Reserves are created by appropriating amounts in the Comprehensive Income and Expenditure Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments and employment benefits. These are classified as unusable reserves and are explained in the relevant policies.

Related Party Transactions

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

Jointly Controlled Operations and Jointly Controlled Assets

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

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

STATEMENT OF *accounting* POLICIES

Employee Benefits – Benefits Payable During Employment

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

Employee Benefits – Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Amounts are charged on an accruals basis to the relevant service(s) in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Fund Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end.

Employee Benefits – Post-employment Benefits

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

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

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

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

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

STATEMENT OF *accounting* POLICIES

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

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

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

Remeasurements of the scheme are split between:

- Remeasurement return on plan assets – excluding amounts included in the net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Remeasurement actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Employee Benefits – Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimate to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

Accounting for Precept and NNDR

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

STATEMENT OF *accounting* POLICIES

Financial Instruments

Financial Liabilities

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

Financial Assets

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

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

Events after the Reporting Period

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

Two types of events can be identified:

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

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

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

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

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.
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.

Investment Properties	<p>Interest in land and/or buildings:-</p> <ul style="list-style-type: none"> a) in respect of which construction work and development has been completed; and b) which is held for its investment potential, any rental income being negotiated at arm's length.
Major Repairs Reserve	A reserve created to deal with major capital 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.
Movement in Reserves Statement (MIRS)	<p>The MIRS shows the movement in the year on the various reserves held by the Council. Reserves are classified into usable and unusable reserves. Usable Reserves are those that can be used to cover expenditure or reduce the level of local taxation required.</p> <p>They include the general fund, earmarked reserves and the capital receipts reserve.</p> <p>Unusable reserves tend to arise due to difference in the legal responsibilities that cover how transactions need to be accounted for and accounting requirements. These reserves cannot be used to cover expenditure, and include the pensions reserve, the revaluation reserve and the capital adjustment account.</p>
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	All forms of consideration given by an employer in

	<p>exchange for services rendered by an employee that are payable after the completion of employment. Retirement benefits do not include termination payments payable as a result of either;</p> <ul style="list-style-type: none"> i) An employer's decision to terminate an employee's employment before normal retirement date <p>Or</p> <ul style="list-style-type: none"> ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
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> <ul style="list-style-type: none"> i) a lump sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
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	In relation to a defined benefits pension scheme, these

Glossary of Terms

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

INTRODUCTION TO THE ANNUAL GOVERNANCE STATEMENT

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

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

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

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

OVERALL SUMMARY

This is a positive Statement for the financial year 2017/2018, with no significant control weaknesses identified. The Council continues to operate a robust governance framework that is designed in a way to address risk and operates effectively.

The governance framework outlined in this Statement has been in place at the Council for the year ended 31 March 2018.

SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, Hinckley and Bosworth District Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk. Hinckley and Bosworth Borough Council has approved and adopted a code of corporate governance (The Constitution) which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) /The Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework *Delivering Good Governance in Local*

Government: Framework. One of the objectives of the Constitution is to “enable the Council to review its governance arrangements as required”. A full review of the Constitution took place in May 2016.

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

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

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

PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

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

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

The governance framework has been in place at Hinckley and Bosworth Borough Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

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

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

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

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

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

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

We have brought those priorities together under three clear headings:

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

The Council uses plans and strategies at various levels to plan and monitor the achievement of its aims and objectives, which together forms the Corporate Planning Framework (See fig 1 below). The objectives set out within the Corporate Plan are used to set targets for each department in their Service Improvement Plans (SIPs). Plans are refreshed annually and progress against targets is managed through the TEN performance management system on a

monthly basis. The Senior Leadership Team and the Finance and Performance Committee review performance reports at least quarterly. All officers are required to reflect their departmental SIPs in individual personal development plans and are assessed against these annually.

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



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

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

In addition, performance data is subject to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two statutory officers (Section 151 Officer and the Monitoring Officer) and the Head of Paid Services have responsibility for ensuring that the Council does not act in an *ultra vires* manner. Management are supported by the internal audit service, which facilitates the management and mitigation of risk and provides assurance on matters of internal control.

The Human Resources (HR) function provide a means of improving competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council. All officers are required to complete annual appraisals. The Council's financial management arrangements conform with the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

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

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

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

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

- Car parks consultation
- Hinckley & Bosworth Economic Regeneration Strategy 2016 - 2020
- Satisfaction Survey - 2017/2018
- Witherley Neighbourhood Development Plan

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

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

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

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

REVIEW OF EFFECTIVENESS 2017/2018

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

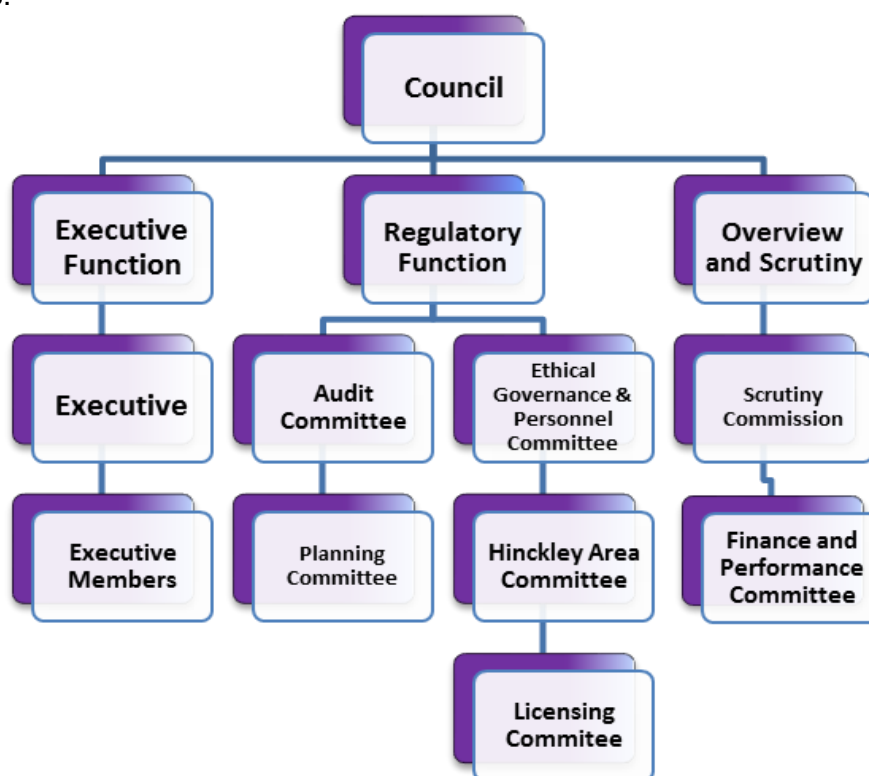
Each year all service areas are required to conduct a self-assessment of the adequacy of controls in place to manage principal business risks. This statement evaluates the effectiveness of procedures, systems and controls, highlights areas for improvement and actions intended to address these. Action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

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

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

Council Structure

The diagram below sets out the Council's democratic decision making arrangements as at 31 March 2018.



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

The Authority

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

The Executive

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

The Audit Committee

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

Ethical Governance & Personnel Committee

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

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

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

The Scrutiny Commission

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

Finance & Performance Scrutiny

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

Statutory Officers

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

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

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

INTERNAL AUDIT

The Council's internal audit service has been outsourced to Price Waterhouse Coopers (PWC) for 2017/2018. Internal audit delivers its work in accordance with to the requirements of the Public Sector Internal Audit Standards (PSIAS).

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

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

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

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

Head of Internal Audit Statements and Opinion 2017/18

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

Opinion

Our opinion is as follows:

Satisfactory	Generally satisfactory with some improvements required	Major improvement required	Unsatisfactory Governance,
Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.			

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

The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Annual Audit Letter will be considered formally by the Audit Committee.

SIGNIFICANT INTERNAL CONTROL ISSUES

The review of effectiveness has been considered in order to identify any significant control weaknesses that should be addressed by the Council. In addition an update should be provided on any issues identified in the previous Statement.

2017/2018 Significant Control Weaknesses

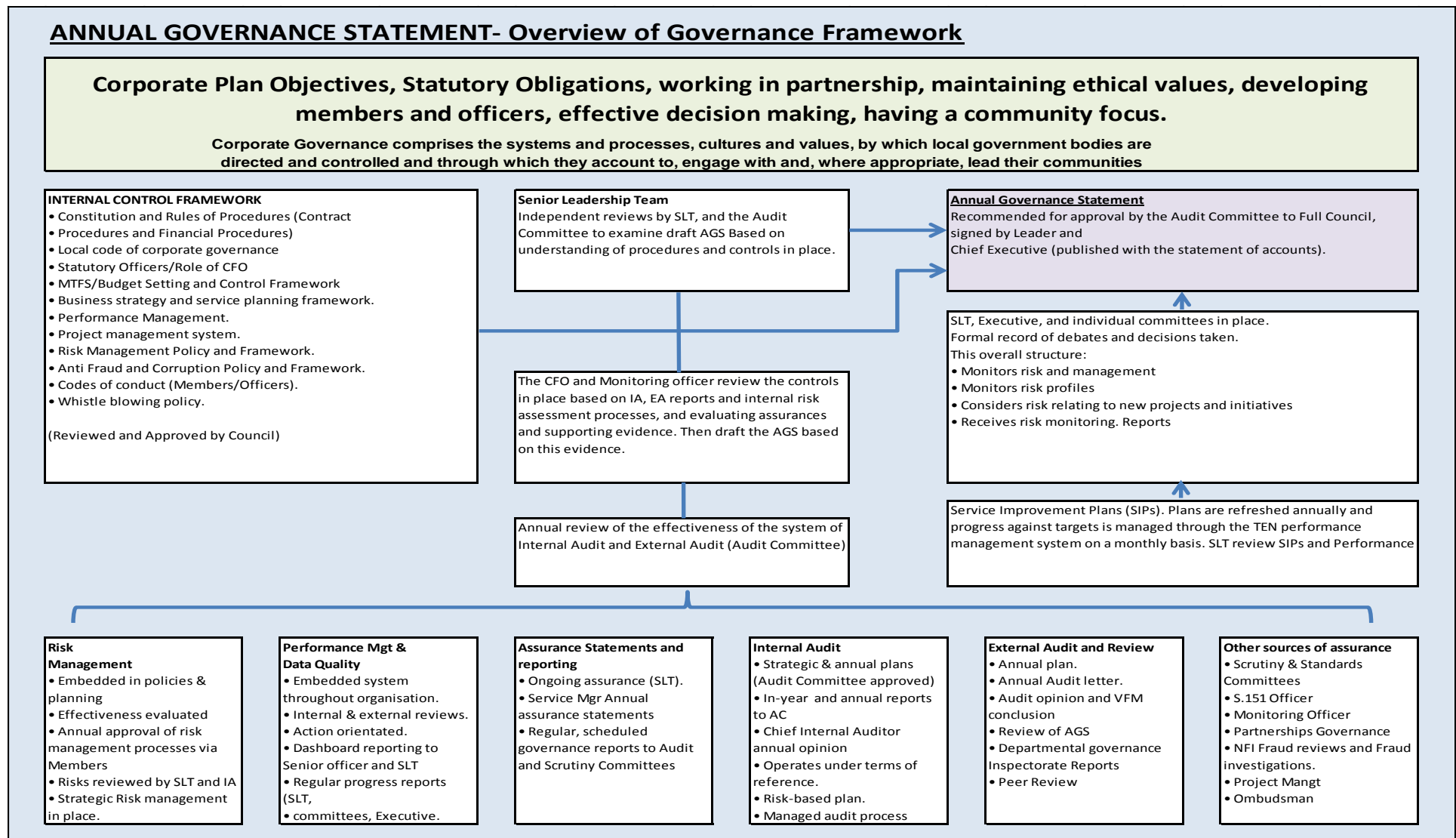
No significant control weaknesses have been identified for reporting in 2017/2018. This has been confirmed by the Council's Internal Auditors in their year end opinion.

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

Date.....

.....
Mike Hall
Leader of the Council

Date



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