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Steve Atkinson MA(Oxon) MBA FIoD FRSA
Chief Executive

Date: 05 September 2014

Hinckley & Bosworth
Borough Council

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**To: Members of the Finance, Audit & Performance
Committee**

Miss DM Taylor (Chairman)	Mr PAS Hall
Mr JS Moore (Vice-Chairman)	Mr R Mayne
Mr PR Batty	Mr K Morrell
Mrs R Camamile	

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

There will be a meeting of the **FINANCE, AUDIT & PERFORMANCE COMMITTEE** in the De Montfort Suite - Hub on **MONDAY, 15 SEPTEMBER 2014 at 6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

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

Rebecca Owen
Democratic Services Officer

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 4)
To confirm the minutes of the meeting of the Finance Audit & Performance Committee held on 4 August 2014.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting.
4. DECLARATIONS OF INTEREST
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the Agenda.**
5. QUESTIONS
To hear any questions in accordance with Council Procedure Rule 10.
6. STATEMENT OF ACCOUNTS 2013/14 AND ANNUAL GOVERNANCE STATEMENT (Pages 5 - 126)
Report of the Deputy Chief Executive (Corporate Direction).
7. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) (Pages 127 - 152)
Report of the External Auditor.
8. REVENUE AND CAPITAL OUTTURN - 1ST QUARTER 2014/15 (Pages 153 - 172)
Report of the Deputy Chief Executive (Corporate Direction).
9. INTERNAL AUDIT PROGRESS REPORT (Pages 173 - 194)
Report of CW Audit.
10. PERFORMANCE & RISK MANAGEMENT FRAMEWORK (Pages 195 - 206)
Report of the Deputy Chief Executive (Corporate Direction).
11. FINANCE, AUDIT & PERFORMANCE UPDATE - CORPORATE SERVICES (Pages 207 - 212)
Report of the Deputy Chief Executive (Corporate Direction).
12. BUDGET STRATEGY 2015/16 (Pages 213 - 218)
Report of the Deputy Chief Executive (Corporate Direction).
13. WORK PROGRAMME (Pages 219 - 220)
14. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY

15. MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

To consider the passing of a resolution under Section 100A(4) of the Local Government Act 1972 excluding the public from the undermentioned item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 2, 3, 7 and 10 of Schedule 12A of the 1972 Act.

16. FRAUD UPDATE (Pages 221 - 226)

Report of the Deputy Chief Executive (Corporate Direction).

Agenda Item 2

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

FINANCE, AUDIT & PERFORMANCE COMMITTEE

4 AUGUST 2014 AT 6.30 PM

PRESENT: Miss DM Taylor - Chairman
Mr JS Moore – Vice-Chairman

Mr PR Batty, Mr PAS Hall and Mr K Morrell

Officers in attendance: Rebecca Owen, Katherine Plummer and Nic Thomas

109 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Councillors Camamile and Mayne.

110 MINUTES OF PREVIOUS MEETING

On the motion of Councillor Moore, seconded by Councillor Mr Hall, it was

RESOLVED – the minutes of the meeting held on 23 June 2014 be confirmed and signed by the Chairman.

111 DECLARATIONS OF INTEREST

No interests were declared at this stage.

112 FEES & CHARGES - AUDIT REPORT

Tim Ridout of CW Audit introduced his fact finding work regarding fees & charges. He explained that it was not recommending any changes, just highlighting matters to consider for future years. Members requested that in future such information is included in colour.

Members expressed concern with regard to a comment in the report that fees for building control were not known due to staffing changes, however they were reassured that the comment had been included in error and the charges were known and could be provided to members.

It was agreed that a report be brought to the November meeting to explain why there were no charges applied to some areas, or where charges were lower than other authorities.

113 OUTTURN

This item was deferred to the following meeting.

114 SUNDRY DEBTS - QUARTER 1

In providing an update on sundry debts owing to the authority, it was reported that there was a new officer in post who had done a lot of work to chase debtors in relation to commercial rents. Members were reminded that some of the debts were due to timing of invoices.

RESOLVED – the report be noted.

115 TREASURY MANAGEMENT

Members received the quarterly Treasury Management report. It was noted that no limits had been breached.

RESOLVED – the report be noted.

116 BUSINESS RATES AND POOLING UPDATE

The Committee received an update with regard to business rates. It was reported that the authority would be expressing an interest in re-joining the pool, but at this stage no decision was required.

Members expressed concern regarding the loss of business rates should any large business in the area close, and in response it was reported that the risks were known and monitored regularly.

RESOLVED – the report be noted.

117 FINANCE, AUDIT & PERFORMANCE SERVICE REVIEW - PLANNING

Following the request at the previous meeting, members received the first of the programme of service updates which in this instance was for the Planning service. It was reported that during the first quarter income was well above predictions, although this was partly due to the high number of speculative applications received. The Chief Planning & Development Officer reported that performance was reviewed annually and that all except two targets had been met.

Concern was expressed that the increase in applications must have an impact and associated costs in resources, and in response it was reported that a restructure was being considered and additional staff were being appointed. It was requested that a report be brought to the November meeting on the associated salary increases.

Whilst members highlighted the need to consider risk management, they commended the Planning Service for its hard work.

RESOLVED – the report be noted and a further report on salaries be brought to the November meeting.

118 HOMELESS TEMPORARY ACCOMMODATION

Following a request at the previous meeting, a report on temporary homeless accommodation was presented to the Committee. Members asked whether accommodation was inspected prior to use and also asked for reassurance that people with mental health issues were suitably accommodated. It was agreed that a response would be sent to members on these matters.

RESOLVED – the report be noted.

119 WORK PROGRAMME

Attention was drawn to the inclusion of a service review for each meeting as seen on the work programme. Members requested training prior to the meeting on 10 September which would consider the final accounts. It was agreed that rather than hold the training immediately prior to the meeting, which would make it difficult for members to attend due to work commitments, it would be held the week before the meeting and members would be contacted to arrange a date.

(The Meeting closed at 7.54 pm)

CHAIRMAN

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FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 15th SEPTEMBER 2014

RE: STATEMENT OF ACCOUNTS 2013/2014
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)



Hinckley & Bosworth
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WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To present to the committee, the Council's Statement of Accounts (the Statement) for 2013/2014 and to seek endorsement of the recommendation to Council to formally approve the Statement.

2. RECOMMENDATION

- 2.1 That the committee review the Statement of Accounts (including the Annual Governance Statement) for the year 2013/2014 and endorse the Statement pending any amendments authorised by the Section 151 Officer
- 2.2 That the committee note that an "unqualified" audit opinion is expected from the Council's external auditors as reported in their "Report to those charged with governance (ISA (UK&I) 260)".
- 2.3 That the committee endorse the following recommendation to Council:

That Council approve the Statement of Accounts for the year 2013/2014

3. BACKGROUND TO THE REPORT

- 3.1 Under the terms of the Accounts and Audit Regulations 2011, each local authority is required to prepare a Statement of Accounts (the Statement) by 30th June following the end of the year to which they relate. This draft Statement is signed by the Section 151 Officer as being a "true and fair" representation of the Council's financial performance during the year and financial position at year end. This was achieved for 2013/2014 and the draft Statement was approved by the Deputy Chief Executive (Corporate Direction) on 26th June 2014.
- 3.2 The Accounts and Audit Regulations 2011 also require that the Statement is approved by members and published by 30th September each year. Between June and September the Statement is subject to external audit and the auditors findings are outlined in their "Report to those charged with governance (ISA (UK&I) 260)" which is included on the agenda for this meeting.
- 3.3 The Statement has been prepared according to the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Statement has been prepared on the basis of International Financial Reporting Standards (IFRS).
- 3.4 The Statement comprises the following financial statements:

- Statement of Movements in Reserves
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statement

In addition, the following supplementary statements with accompanying notes have been produced:

- Housing Revenue Account
- Housing Repairs Account
- Collection Fund

3.5 The Council's Statement for 2013/2014 is appended to this report. This version may require minor amendments following the final review by external audit. Pending approval of recommendation 2.3, the final Statement will be approved and formally signed by the Deputy Chief Executive (Corporate Direction) and the Leader of the Council following Council approval on 23rd September 2014. The completed Statement will be published on the Council's website and an advert placed in local press to advise of this.

Notable items in the Statement for 2013/2014

3.6 Material changes required by the Code or resulting from management decisions that have impacted the 2013/2014 Statement for this Council have been summarised below for reference:

Change	Source of change	Impact
<p><u>Business Rates Retention</u></p> <p>The Local Government Finance Act (2012) introduced the Business Rates Retention system from 1st April 2013. The 2013/2014 Statement therefore includes a number of "new" entries and balances required to reflect the transactions and balances required by the scheme and the associated pooling regime.</p>	Code	<p>The Statement includes the following significant balances and transactions relating to Business Rates Retention:</p> <ul style="list-style-type: none"> • A £0.177million "levy" payment to the pool is shown within creditors to reflect 50% of the growth achieved in 2013/2014. • A £0.424 million grant received to compensate for Small Business Rates Relief is included in the Comprehensive Income and Expenditure Account and disclosed in note 31. • A provision of £0.215 million is disclosed in note 21 – this balance represents an estimate of the value of NNDR appeals that were lodged as at 31st March and may require settlement in 2014/2015. This balance is 40% of the total estimate provision, in line with

		<p>the applicable retention percentages</p> <p>A summary of these transactions and the position of the Leicestershire Pool is also provided for readers of the Statement within the Explanatory Forward.</p>
<p><u>Post Balance Sheet Events</u></p> <p>The Code requires that the impact and significance of any events that occur between the end of the reporting period and the date when the Statement is authorized for use are considered.</p> <p>An adjustment is made to the Statement where events provide evidence of conditions that existed at the end of the reporting period. Where events are only indicative of conditions, no adjustment is made but a disclosure is included where the impact is deemed material.</p>	<p>Management decision</p>	<p>The following transactions have been reflected as non-adjusting post balance sheet events in note 5 to the Statement:</p> <ul style="list-style-type: none"> • Town Centre Redevelopment – the initial £7million loan to Tin Hat Partnership and subsequent repayment • Town Centre Redevelopment – transfer of assets owned by the Council as part of the general vesting • Capital receipt (second installment) received for Stoke Road site
<p><u>Significant Income</u></p> <p>The Council has been awarded two material streams of funding which are:</p> <ul style="list-style-type: none"> • Regional Growth Funding for works to the A5 and MIRA Enterprise Zone: £2.809 million received in 2012/2013 and £11.875 million received in 2013/2014 • Funding from the Department of Energy and Climate Change (DECC) for works to properties to improve sustainability: £3.093 million received in 2012/2013. <p>In both cases, the Council acts as the “accountable body” for these funds, transferring designated elements to third parties to perform capital/revenue work.</p>	<p>Management decision</p>	<p>As funding has not been spent in full in 2013/14, the unspent cash balance is shown on the Balance Sheet as at 31st March 2014 (£10.780 million RGF and £0.573million DECC). The amounts that will be paid out from these balances are shown separately within creditors (money that will be spent by third parties) and “Unapplied Grants and Contributions” (funds which will be spent by the Council for the project).</p> <p>Because of the material level of funds that have been received and deferred in year relating to the RGF (£10.534 million), this amount is separately disclosed on the face of the Comprehensive Income and Expenditure Account in order to ensure transparency of reporting.</p>

2013/2014 Outturn

- 3.7 The draft outturn for 2013/2014 was reported to Council in July 2014. Following completion of the Statement of Accounts, it can be confirmed that the total under spend for the year is £1.310million, resulting in closing General Fund balances of £2.204

million. Outturn books will be made available to members at the Council meeting in September 2014.

4. **FINANCIAL IMPLICATIONS [KP]**

The cost of the statutory External Audit of the Statement for 2013/2014 is £64,980 as outlined in note 30 to the Statement.

The cost of advertising the audit and publication of the 2013/2014 Statement is £381 (actual) and £175 (estimated) respectively.

5. **LEGAL IMPLICATIONS (EH)**

Contained in the body of the report

6. **CORPORATE PLAN IMPLICATIONS**

The Statement reflects spending of the Council and therefore ultimately all Corporate Plan aims.

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

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

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.

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		

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

There are none

10. **CORPORATE IMPLICATIONS**

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

- Community Safety implications

- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background Papers: Civica Financial Files

Author: Katherine Plummer, Head of Finance ext 5609

Executive Member: Cllr KWP Lynch

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Hinckley & Bosworth
Borough Council

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Statement of Accounts



2013/2014

EXPLANATORY foreword

The Council's Statement of Accounts (the Statements) for the year ended 31st March 2014 are set out from page 28. The Statements have been prepared in accordance with the 2013/14 edition of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and International Financial Reporting Standards (IFRS). The Statements present the financial affairs of the Council in accordance with the Service Reporting Code of Practice (SeRCOP).

The Statements consist of:

- The Statement of Accounting Policies
This document explains the basis of the figures included in the Statements. The Statement can be properly appreciated only if the policies, accounting estimates and judgements, which have been followed in dealing with material items, are explained.
- The Statement of Responsibilities
This sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.
- The Movement in Reserves Statement
This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (these reserves can be applied to fund expenditure or reduce local taxation) and other reserves analysed as 'unusable reserves'.
- The Comprehensive Income and Expenditure Statement
This Statement shows the accounting cost in the year of providing services and income to fund the cost of providing this service from a combination of Council Tax, National-Non Domestic Rates and grants from Government.
- The Balance Sheet
This shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date.
- The Cash Flow Statement
This provides a summary of the inflows and outflows of cash arising from transactions with third parties during the financial year. Internal transfers are thus excluded from expenditure and income.
- The Housing Revenue Statement
This Statement reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing revenue expenditure and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement
- The Collection Fund Comprehensive Income and Expenditure Statement
Shows the transactions relating to the collection of Council Tax, and National Non-Domestic Rates.

These Statements are supported by accompanying notes.

EXPLANATORY foreword

The 2013/14 Outturn

The outturn for 2013/14 saw an improvement in the financial position of the Council compared with that anticipated when the Budget was prepared in the autumn of 2013. At the start of the financial year, due to early management direction on the need to fund further in year efficiencies, the Council was able to make a contribution of £568,000 from General Fund balances to earmarked reserves to ensure availability of sufficient funds for future pressures and capital projects (e.g. the Leisure Centre). Taking this into account, the total under spend for the Council at year end was £1,309,725. The main reasons for the variations were:-

- Salary savings across all service areas
- Additional income from development control
- Additional Council Tax and NNDR legal costs recovered
- Further efficiencies from the waste and recycling service
- Business Rates growth under the new Business Rates Retention scheme

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

Details of all budget variances were supplied to Council, Finance Audit and Performance Committee and the Executive following the year end.

A summary position to 31st March 2014 is set out below

	Original Estimate £	Latest Estimate £	Out Turn £
Central Services	3,150,770	2,506,293	1,638,094
Leisure & Environment	6,649,840	6,585,537	5,566,537
Housing (General Fund)	1,326,246	1,852,051	2,318,046
Planning	1,438,555	1,859,014	963,482
Direct Service Organisations	(10,300)	2,899	(54,905)
Regional Growth Funding Unapplied Grants	0	0	(10,534,000)
Further Savings Identified in Year	0	(439,263)	0
Total Service Expenditure	12,555,111	12,366,531	(102,746)
Special Expenses brought down	(614,430)	(624,723)	(615,453)
Capital Accounting Adjustment	(1,996,100)	(1,996,100)	(2,256,049)
Revenue Contributions to Capital	0	118,800	89,059
External Interest Paid /(Received)	134,240	127,240	638,139
IAS 19 Adjustment	(141,350)	(141,350)	(54,115)
Holiday Pay	0	0	24,928
Transfer to / (from) Pension Reserve	115,510	115,510	115,658
Transfer (from) / to carry forwards	0	(139,439)	77,983
Transfer (from) / to unapplied grants	0	(620,568)	10,040,523
Transfer to Reserves	396,840	2,474,056	2,709,478
Use of Reserves	(267,362)	(1,300,178)	(1,394,401)
Transfer (from) / to General Balances	(166,199)	(363,519)	575,527
HBBC Budget Requirement	10,016,260	10,016,260	9,848,531

EXPLANATORY foreword

The Council's Operations

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

The number of Council employees and elected members for 2013/14 and prior year were as follows:

Service Area	31st March 2014	31st March 2013
Corporate Direction *	170	133
Community Direction *	239	288
Chief Executives Office	6	10
Councillors	34	34
Total Staff	449	465

* Movement between Community and Corporate Direction is due to the transfer of responsibilities for housing repairs service

The Council sets a target for sickness absence on an annual basis for all staff. Outturn against this target for 2013/14 and the previous year was as follows:

Target	Target	Outturn 2013/14	Outturn 2012/13
Working Days Lost due to Sickness Absence	8 days	10.34 days	8.94 days

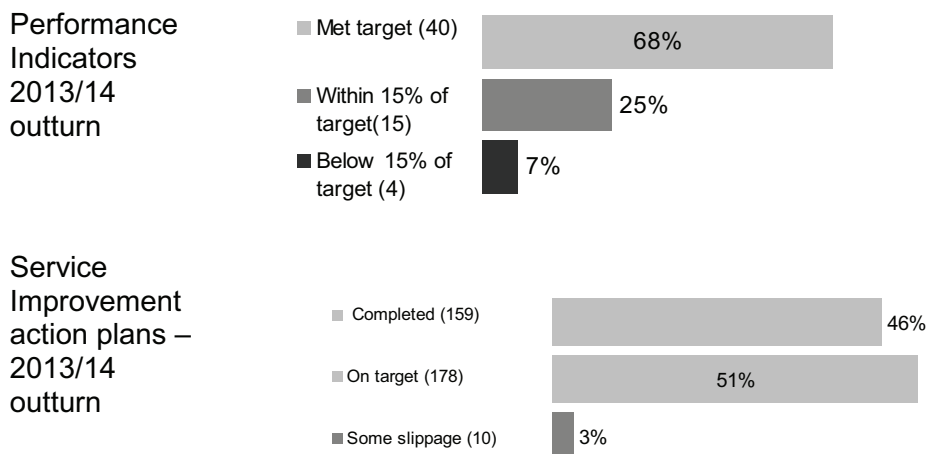
High sickness absence levels can have a detrimental effect on the delivery of council services. Effective sickness absence management ensures that the cost of sickness absence is kept at a minimum whilst improving capacity, service improvement and workforce morale. To provide context and to understand the reasons for the increase, an analysis of sickness absence for 2013/14 shows that both long term and short absence has increased, though a number of long term absentees have returned to the organisation since 31st March 2014.

In order to address the increase in the number of sickness days, "Back to Work" interviews are carried out and meetings are held with service managers and the Chief Executive to understand reasons for high levels of sickness. The Council is currently looking to review attendance management triggers and also employment Terms and Conditions to address sickness absence. Both reviews will be subject to consultation.

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 and Executive. The Constitution outlines the scrutiny processes that are administered by the Scrutiny Commission and the Finance, Audit and Performance Committee. The Constitution describes the functions and membership of each member group and the scope of structure of their operations. The full Constitution can be viewed on the Council's website at http://www.hinckley-bosworth.gov.uk/a_to_z/service/120/constitution

The Council's performance

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 department will achieve the corporate aims within a three year period. Plans are refreshed annually and progress against targets is managed through the TEN performance management system monthly. Performance reports are produced for service managers' team briefings monthly and Joint Boards on a quarterly basis. Individual staff performance is monitored through annual performance development assessments and biannual reviews. Performance reports are produced for the Finance Audit and Performance Committee quarterly, and annually in the Corporate Performance Plan. Corporate level performance for the 2013/14 year was reported as follows:



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

EXPLANATORY foreword

Material Changes

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

The Council has been awarded two material streams of funding which are:

- Regional Growth Funding for works to the A5 and MIRA Enterprise Zone: £2.809 million received in 2012/13 and £11.875 million received in 2013/14
- Funding from the Department of Energy and Climate Change (DECC) for works to properties to improve sustainability: £3.093 million received in 2012/13

In both cases, the Council acts as the “accountable body” for these funds, transferring designated elements to third parties to perform capital/revenue work. As funding has not been spent in full in 2013/14, the following material balances are held on the Balance Sheet as at 31st March 2014:

	Regional Growth Funding	Department of Energy and Climate Change Funding
	£'000	£'000
Cash – Balance of cash received	10,780	573
Unapplied Grants and Contributions – In both cases the conditions of the funding are deemed to have been met and therefore this balance represents unspent funds that will be incurred by Hinckley and Bosworth Borough Council in future years	10,534	403
Creditors – Overpayment of contribution	29	0
Creditors – Representing unspent funds that will be transferred to third parties to spend	217	170

Accounting Policies

The Council's Accounting Policies are contained in this Statement.

The Council's Accounting Policies are reviewed on an annual basis and updated for any changes in the Code. There have been no changes to the Accounting Policies for 2013/14.

EXPLANATORY *foreword*

Revenue Reserves

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

	2014	2013
	£'000	£'000
Earmarked Revenue Reserves (General Fund and HRA)	6,000	4,235
General Fund Balance (including Special Expenses)	2,206	1,767
Housing Repairs Account	483	242
Housing Revenue Account	1,156	1,891
	9,845	8,135

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
- Housing Revenue Account balances should be held at a minimum of £250 per property

Pension Costs

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

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

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

Hymans Robertson, has undertaken pension expense calculations in accordance with IAS 19 in respect of the Local Government Pension Scheme (the LGPS) administered by Leicestershire County Council. A full triennial valuation of the scheme was conducted as at 31st March 2013, the results of which are reflected in this Statement.

Note 40 discloses a net pension liability of £31.142 million for the Council as at 31st March 2014 compared to £25.187 million at 1st April 2013. 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.

EXPLANATORY *foreword*

Capital Expenditure and Disposals

Capital expenditure on Property, Plant and Equipment in 2013/14 was £17.195 million. This includes £8.075 million, being the value of the new Council offices (the Hinckley Hub) for which a 35 year finance lease commenced in year.

£4.206 million of capital expenditure relates to Revenue Expenditure Funded from Capital Under Statute (REFCUS), the majority being work funded by Regional Growth Funding (£2.551 million) and funding from the Department of Energy and Climate Change (£0.871million).

The Council disposed of assets worth £1.069 million in year. These disposals were primarily properties held within the Housing Revenue Account (£0.921 million).

In 2012/13 the Council disposed of one single material asset of £2.3 million which was previously held as surplus. The asset was transferred back to the Council when its lease expired in 2011/12 and earmarked for sale in the same year. The Council received £1.265 million of capital receipt for this asset in 2012/13. The remaining £1.035 million was received on 11th April 2014 and therefore as at 31st March 2013 was reflected as a "Deferred Capital Receipt" within the Balance Sheet.

Provisions, Contingencies and Write Offs

The Balance Sheet contains provisions of £0.322 million as at 31st March 2014. As with previous years, this balance contains the capital cost of early retirement and the future costs of redundancies that are probable in the forthcoming year (£nil balance for 2013/14). In addition, provisions have been set up in 2013/14 to provide for costs of legal cases that are likely to require settlement in 2013/14.

Under the new Business Rates Retention guidelines, the Council is required to make provisions for refunding ratepayers who have appealed against the rateable value of their property on the rating list and may be successful. A provision of £0.215 million has been estimated for this Council for 2013/2014.

Where a liability is possible (but not likely) or the cost cannot be reliably estimated, a contingent liability is disclosed. Note 42 contains details of four contingent liabilities that have been identified as at 31st March 2014. These include potential outcomes of planning appeals and a resident complaint, as well as an acknowledgment that further business rates appeals may be lodged in 2014/2015 relating rateable values decided in 2013/2014. In addition, a contingent liability of £0.256 million has been acknowledged to reflect potential costs of a national legal review of land charges.

In order to ensure completeness of these disclosures, a formal review of provisions and contingencies is conducted annually by both the Strategic Leadership Board and the Corporate Operations Board.

Write offs are processed by the Council on key income streams in line with the Debt Recovery Policy and also Financial Procedure Rules. Total write offs for the 2013/14 year are summarised below. There were no single material write offs processed in year and all arose in the course of standard Council operations.

	2013/14
	£'000
General Fund Write Offs	65
Housing Revenue Account Write Offs (including rents)	35
Collection Fund Write Offs	230
Total Write Offs	330

EXPLANATORY *foreword*

Resources Available to Support Future Capital Expenditure

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

	2014	2013
	£'000	£'000
Unapplied Grants and Contributions	12,072	2,950
Usable Capital Receipts Reserve	1,388	1,604
Deferred Capital Receipts	1,035	1,037
Earmarked Revenue Reserve for Future Capital Projects	7,036	4,187
Total available resources	21,531	9,778

The Council's Capital Programme is reviewed annually and new estimates are approved at the same time as the revenue budget. The current Capital Programme and funding implications for 2014/15 onwards are detailed below. It is evident from this detail that the agreed Capital Programme is predominantly supported by borrowing which was endorsed through an increase of the Authorised Limit by Council to unlock a number of regeneration schemes (e.g. the Town Centre Redevelopment and Leisure Centre).

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
<i>Expenditure</i>			
Leisure and Environment	7,025	6,967	217
Planning	44	4,566	44
Central Services	97	67	40
Housing (General Fund)	497	365	365
Expenditure Total	7,663	11,965	666
<i>General Financing</i>			
Capital Receipts	500	0	0
Supported Borrowing	107	107	107
Unsupported Borrowing	174	519	527
Revenue Contribution to Capital	49	0	0
Contribution from reserves	83	89	32
<i>Leisure Centre Financing</i>			
Leisure Centre Reserve	2,610	0	0
Leisure Centre Capital Receipt	2,000	0	0
Leisure Centre Temporary Financing	0	3,400	0
Leisure Centre Borrowing	2,140	3,350	0
<i>Crescent Financing</i>			
Crescent Borrowing	0	4,500	0
Financing Total	7,663	11,965	666

EXPLANATORY *foreword*

Housing Revenue Account

The financial statements of the Housing Revenue Account appear as an additional financial statement. In 2013/14 the Housing Revenue Account has a deficit £0.735 million compared with a surplus of £0.192million in 2012/13. This position reflects the transfer of significant balances to the HRA Regeneration Reserve for future capital spend and also a revision to the “minimum” balances levels within the HRA (£250 per property)

The Housing Repairs Account shows a surplus of £0.241million in 2013/14 compared with a deficit of £0.231million in 2012/13. This was due to a movement in the deficit position on the repairs “contractor” account in prior year which has since been rectified.

The total of both the Housing Revenue Account and Housing Repairs account balances at 31st March 2014 was £1.639 million compared with £2.133million in 2012/13. The Housing Revenue Regeneration Reserve held a balance of £4.385 million and will be used to fund future Affordable Housing schemes.

Collection Fund – Council Tax

From 1st April 1990 the Council has been required by the Local Government Finance Act 1988 to maintain a Collection Fund for transactions relating to the collection of Council Tax and Non-Domestic Rates. The details are set out in the Collection Fund Statement.

In 2013/2014, the Collection Fund collected £77.898 million from Council Tax and National Non Domestic Rates compared to £82.807 million in 2012/2013. The reduction in income is primarily due to the cessation of Council Tax Benefit following the introduction of Local Council Tax Support. £0.230 million of this income was written off (£0.448 million in 2012/13).

Business Rates Pooling

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

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

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

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

EXPLANATORY foreword

The County Council along with Leicester City Council, the LFRS and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2013/14, the Leicester and Leicestershire Pool (LLP). The County Council was the lead authority for the LLP. The Pool was in a net top-up position, meaning that it could not be subject to a levy to the Government; a safety net position was technically feasible but given the scale of loss that would have to be suffered was unlikely to arise.

The Pool was based on a “no better, no worse” position, with District Councils paying any levies into the Pool and any safety net payments being made from the Pool. Any remaining net income from the Pool was to be used to provide a £0.4million contingency for future safety nets and any further income above that level was to be passed to the Leicester and Leicestershire Economic Partnership (LLEP).

Overall the Pool achieved a net surplus of £0.7million for 2013/14 as summarised by the County Council below:

	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby District Council	1.9	15.2	15.0	0.0	0.1
Charnwood Borough Council	3.8	17.2	16.6	0.0	0.3
Harborough District Council	1.5	13.0	14.8	0.9	0.0
Hinckley & Bosworth Borough Council	2.3	10.9	11.3	0.2	0.0
Melton Borough Council	1.2	5.0	5.1	0.1	0.0
North West Leicestershire District Council	2.1	18.3	18.2	0.0	0.0
Oadby & Wigston Borough Council	1.3	4.7	4.6	0.0	0.1
Total	14.1	84.3	85.6	1.2	0.5
Net gain					0.7

The surplus at the end of 2013/14 will be distributed in agreement with the LLP partners. The County Councils accounts include debtors for levies due from the Billing Authorities and creditors for safety net payments.

The Collection Fund for Hinckley and Bosworth Borough Council shows that £27.486 million rates were collected, of which £27.024 million are subject to Business Rates Retention allocations. Based on this outturn, the Council has reflected £0.177 million of Business Rates growth within the General Fund, following the payment of a levy of £0.177 million (included as a creditor).

Due to uncertainties over Government policy changes and the level of potential appeal losses, the LLP partners decided not to continue with the Pool in 2014/15 and to review the position again for 2015/16.

External Borrowing

As at 31st March 2014 the Council had total external borrowing of £70.952million 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;

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

The Council manages its treasury management activities through the adoption of a Treasury Management Strategy and Prudential Indicators, both of which are monitored on a quarterly basis by the Finance, Audit and Performance Committee. The main elements of these documents are reflected in note 41.

Annual performance against the Treasury Management Policy and Prudential Indicators was reported to Finance, Audit and Performance Committee on 12th May 2014. In 2013/14 the Council complied with all the relevant statutory and regulatory requirements which require the identification and, where possible, quantification of the levels of risk associated with treasury management activities. In particular the Council's adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that capital expenditure is prudent, affordable and sustainable, and treasury practices demonstrate a low risk approach.

Direct Services Organisations (DSO)

The Council operates four Trading Accounts:

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

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

Post Balance Sheet Event

The Statement of Accounts were authorised for issue on 26th June 2014 by S.Kohli, Deputy Chief Executive (Corporate Direction). Events taking place after this date are not reflected in the financial statements or notes.

Town Centre Redevelopment

The Council is currently undergoing the regeneration of the town centre in conjunction with a third party developer – the Tin Hat Regeneration Partnership. In accordance with the Development Agreement held with the developer, a loan of £7million was made to the Tin Hat Regeneration Partnership on 7th May 2014 and repaid on 15th May 2014. The Council borrowed £7million from the market to make these funds available.

As part of this development, the Council transferred assets valued at £1.159 million as at 31st March 2014 to Tin Hat Regeneration Partnership on 14th May 2014 at nil value. The loss on disposal of these assets will be disclosed in the 2014/2015 Comprehensive Income and Expenditure Account.

Capital Receipt

In 2012/13 the Council disposed of the former Boys Club at Stoke Road for £2.3million. The asset was transferred back to the Council when its lease expired in 2011/12 and earmarked for sale in the same year. The Council received £1.265million of capital receipt for this asset in

EXPLANATORY *foreword*

2012/13. The remaining £1.035million was received on 11th April 2014 and therefore as at 31st March 2014 was reflected as a “Deferred Capital Receipt” within the Balance Sheet.

The Statement of Accounts and notes have not been adjusted for these transactions which took place after 31st March 2014 as they provide information that is relevant to an understanding of the Council’s financial position but do not relate to conditions at that date.

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 items such as benefits payments and homelessness services.
- 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. That said, guidance in these areas is ever changing, making it difficult for authorities to reliably forecast or pre-empt financing arrangements going forward.

Across the country, many Councils are having to look for drastic measures to cut costs and ensure solvency in the medium term. In Leicestershire, the County Council is required to make £110 million savings over the next five years. In order to achieve these targets, pressures will be transferred to district councils in areas such as waste, children’s services and older peoples services. For this Council, the direct impact of these changes is forecast to create an estimated budget pressure from 2015/2016 of up to £500,000 overall. The indirect impact of changes implemented by the County Council, however, could increase this pressure by many thousands more.

Locally, the commitment to minimise the pressure of economic pressures on the local tax payer has meant that Council Tax has been frozen for a fourth consecutive year in 2014/15. In real terms, this has created an opportunity loss in spending power during this period of over £650,000.

This, together with the desire of the Council to minimise increases in fees and charges and reluctance to introduce new fees and charges (e.g. car parking and green waste) to assist local residents and businesses means that the Council’s budgets are coming under considerable strain from 2015/16 onwards.

In order to plan for these risks, the Medium Term Financial Strategy contains ten strategic financial objectives which seek to mitigate the impact of financial pressures on the Council. Details of these objectives are provided below:

EXPLANATORY *foreword*

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

These accounts were approved for publication on 26th June 2014 by S. Kohli, Deputy Chief Executive (Corporate Direction). Post Balance Sheet events have been considered up to this date and disclosed in Note 5.

S. Kohli ACA. BSc(Hons)

Deputy Chief Executive (Corporate Direction)

STATEMENT OF *accounting* POLICIES

General Principles

The Statement of Accounts (the Statements) summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14 (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 2013/14 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 have been prepared with reference to the following qualitative characteristics:

- Understandability
- Relevance
- Materiality
- Reliability
- Comparability

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. Revenue arising from provision of other services is recognised evenly over the periods in which the service is provided.

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from them.

Segmental Reporting - Amounts Reported for Resource Allocation Decisions

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

STATEMENT OF *accounting* POLICIES

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.
- 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 debtor or creditor for the relevant amount is recorded in the Balance Sheet. Expenditure is accrued where goods or services have been received before 31st March but the invoice relating to the goods and services is paid after 31st March. Income is accrued where income is due but an invoice has not been raised or payment has not been received.
- Provision is made for bad debts by identifying a proportion of the Council's receivables that should have their carrying value adjusted to the probable recoverable amount. Past experience and practice is used within material limits to judge the percentages of each type of debt that will eventually not be recovered.

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

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

Prior period adjustments may arise as a result of a change in accounting policy 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 policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively 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.

STATEMENT OF *accounting* POLICIES

Exceptional Items

When items of income and expense are material in size or by nature, they are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts to ensure they help the readers understand the Council's financial performance.

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 CIPFA Service Reporting Code of Practice 2013/14 requires that all support service costs and overheads, except for those in relation to Corporate and Democratic Core and Non Distributed Costs, are completely recharged or apportioned to the service users. The main support costs and the basis of allocation are shown below:

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

Government Grants and Contributions

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

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

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

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

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

STATEMENT OF *accounting* POLICIES

Revenue Expenditure funded from Capital under Statute

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

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

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

Investment Properties

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

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

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

Charges to Revenue for Non-current Assets

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

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

These charges are reversed from the Comprehensive Income and Expenditure Statement through the Movement in Reserves Statement to the Capital Adjustment Account so that they do not create a requirement to raise additional Council Tax. However, the Council is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either 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.

STATEMENT OF *accounting* POLICIES

Property, Plant and Equipment

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

Recognition

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure on property, plant and equipment is capitalised, provided that the asset yields benefits to the Council and the services it provides, for a period of more than one year. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. This excludes expenditure on routine repairs and maintenance, which is charged direct to service revenue accounts.

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 component) 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:

- Council dwellings are valued at existing use value – social housing.
- Land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value.
- Infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation.
- Vehicles, plant and equipment are valued at cost less accumulated depreciation
- Intangible assets are written off over a five-year period.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 following their last full valuation at 31st March 2009

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

Depreciation and Impairment

Depreciation

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

Depreciation is provided in accordance with the following policies:

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

As part of the annual revaluation exercise, the valuer provides estimated residual lives for all dwellings, using 80 years as the total life per dwelling but reflecting improvements over the years with a minimum residual life of 20 years. Where an item of property, plan 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. Those events and change in circumstances are listed under Critical Accounting Estimate and Judgements.

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

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

Depreciation and Impairment (continued)

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

- Social Housing Grant receipts for housing association development (where 100% of each receipt is required to be set aside).
- 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

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 £5,000. 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 depletion 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

Borrowing Cost

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

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.

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 fair value less costs to sell.

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

Leases

Leases of property, plant and equipment in which the Council retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset which is applied to write down the liability; and
- A finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

The discount rate that shall be used is the rate implicit in the lease or, if it is not practicable to determine, the Council's incremental borrowing rate.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Assets recognised under a finance lease are depreciated in accordance with the depreciation policy for owned assets.

Leases covering both land and buildings are split into component parts. The element relating to buildings is then tested to determine whether the lease is finance or operating lease and treated accordingly.

Leases of land and all other leases including industrial and commercial units are classified as operating leases and are not recognised in the Balance Sheet.

STATEMENT OF *accounting* POLICIES

Leases (continued)

Payments made under operating leases, net of lease incentives or premiums received, are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of the lease.

Where the Council operates as a lessor in respect of lease arrangements, the arrangement is assessed in line with the accounting policies and the funds flow treated based on corresponding entries to the lessee.

Provisions

Provisions are 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, 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.

Provisions are presented in the Statement of Accounts at the present value of the estimated future outflows expected to be required to settle the obligation. Provision charges and reversals are charged to the appropriate service revenue account. Discount unwinding is recognised as a finance expense.

Inventories

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

Reserves

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

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.

Item 8 Housing Credit

Statutory Item 8 interest is credited to the Housing Revenue Account representing interest earned on housing balances. The amounts are calculated in accordance with Government directions.

STATEMENT OF *accounting* POLICIES

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 probably 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 a note to the accounts are disclosed in the notes to the financial statements but are not reflected on the Balance Sheet.

Related Party Transactions

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

Jointly Controlled Operations and Jointly Controlled Assets

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

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

Employee Benefits – Benefits Payable During Employment

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

STATEMENT OF *accounting* POLICIES

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 and 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 is accounted for as a defined benefit scheme.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate set by the actuary.

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

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

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

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

STATEMENT OF *accounting* POLICIES

Employee Benefits – Post-employment Benefits (continued)

- 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 are earned by employees.

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 with the Council becomes a party to the contractual provision of the instrument. Financial liabilities are shown in the Statement of Accounts at Amortised Cost in accordance with IAS32, 39 and IFRS7. Where applicable (ie 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 with the Council becomes a party to the contractual provision of the instrument. Financial assets are shown in the Statement of Accounts at Amortised Cost in accordance with IAS32, 39 and IFRS7. Where applicable (ie for investments) annual credits to 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. An adjustment is made to the Statement of Accounts where events provide evidence of conditions that existed at the end of the reporting. Where events are only indicative of conditions, no adjustment is made but a disclosure is made where the impact is deemed to be material.

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 Deputy Chief Executive (Corporate Direction)
- b) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- c) approve the Statement of Accounts.

The Deputy Chief Executive (Corporate Direction)'s Responsibilities

The Deputy Chief Executive (Corporate Direction) 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 Deputy Chief Executive (Corporate Direction) 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 Deputy Chief Executive (Corporate Direction) 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 2014.

S. Kohli ACA. BSc(Hons)

Cllr S Bray

Deputy Chief Executive (Corporate Direction)

Leader of the Council

CORE *financial* STATEMENTS

THE *Movement in Reserves Statement*

THE *Comprehensive Income and Expenditure Statement*

THE *Balance Sheet*

THE *Cash Flow Statement*

CORE *Financial* STATEMENTS

The Movement in Reserves Statement

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

The Comprehensive Income and Expenditure Statement

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

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

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

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

The Balance Sheet

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

The Cash Flow Statement

The Cash Flow statement shows how the Council generates and uses cash and cash equivalents.

CORE financial STATEMENTS

Movement in Reserves Statement

	General Fund Balance	General Fund Earmarked reserve	Housing Revenue Account	Earmarked HRA Reserves	Capital receipts Reserves	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserve	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2012 carried forward	2,293	4,028	1,699	604	1,050	0	949	10,623	34,397	45,020
Surplus or (deficit) on the provision of services	1,273	0	3,553	0	0	0	0	4,826	0	4,826
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(3,263)	(3,263)
Total Comprehensive Income and Expenditure	1,273	0	3,553	0	0	0	0	4,826	(3,263)	1,563
Adjustments between accounting basis & funding basis under regulations (Note 6)	(413)	0	(716)	0	554	46	2,029	1,500	(1,477)	23
Net Increase/Decrease before Transfers to Earmarked Reserves	860	0	2,837	0	554	46	2,029	6,326	(4,740)	1,586
Transfers (from)/to Earmarked Reserves (Note 7)	(1,386)	1,382	(2,646)	2,654	0	0	(28)	(24)	0	(24)
(Decrease)/Increase in Year	(526)	1,382	191	2,654	554	46	2,001	6,302	(4,740)	1,562
Balance at 31st March 2013 carried forward	1,767	5,410	1,890	3,258	1,604	46	2,950	16,925	29,657	46,582
Surplus or (deficit) on the provision of services	8,375	0	6,721	0	0	0	0	15,096	0	15,096
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(1,196)	(1,196)
Total Comprehensive Income and Expenditure	8,375	0	6,721	0	0	0	0	15,096	(1,196)	13,900
Adjustments between accounting basis & funding basis under regulations (Note 6)	(6,875)	0	(3,650)	0	(218)	(46)	9,124	(1,665)	1,680	15
Net Increase/Decrease before Transfers to Earmarked Reserves	1,500	0	3,071	0	(218)	(46)	9,124	13,431	484	13,915
Transfers to/(from) Earmarked Reserves (Note 7)	(1,061)	1,062	(3,805)	3,789	0	0	0	(15)	0	(15)
Increase/(Decrease) in Year	439	1,062	(734)	3,789	(218)	(46)	9,124	13,416	484	13,900
Balance at 31 March 2014 carried forward	2,206	6,472	1,156	7,047	1,386	0	12,074	30,341	30,141	60,482

CORE Financial STATEMENTS

Comprehensive Income and Expenditure Statement

2012/13			2013/14			
Gross Expenditure	Gross Income	Expenditure / Income		Gross Expenditure	Gross Income	Expenditure / (Income)
£000	£000	£000	Note	£000	£000	£000
2,580	(966)	1,614		2,575	(861)	1,714
5,195	(1,506)	3,689		5,314	(1,458)	3,856
3,387	(2,356)	1,031		4,075	(2,161)	1,914
0	0	0		0	(10,534)	(10,534)
20,165	(21,223)	(1,058)		21,641	(19,322)	2,319
8,176	(6,587)	1,589		2,397	(1,296)	1,101
1,085	(134)	951		1,062	(143)	919
1,482	(1,065)	417		2,159	(2,651)	(492)
7,009	(12,371)	(5,362)		4,672	(13,083)	(8,411)
49,079	(46,208)	2,871		43,895	(51,509)	(7,614)
1,797	(247)	1,550	8	1,763	(272)	1,491
7,919	(5,220)	2,699	9	5,147	(2,293)	2,854
0	(11,946)	(11,946)	10	177	(12,004)	(11,827)
58,795	(63,621)	(4,826)		50,982	(66,078)	(15,096)
		(684)	24			(3,550)
		3,947	24			4,746
		3,263				1,196
		(1,563)				(13,900)

CORE Financial STATEMENTS

The Balance Sheet

31st March 2013 £000	Notes	31st March 2014 £000	
130,785	Property, Plant and Equipment	11	144,277
121	Heritage Assets	13	121
8,951	Investment Property	12	9,483
550	Intangible Assets	14	375
273	Long Term Receivables	18	189
140,680	Long Term Assets		154,445
0	Short Term Investments	17	0
6	Inventories	15	8
5,797	Short Term Receivables	19	6,742
7,109	Cash and Cash Equivalents	16	19,320
12,912	Current Assets		26,070
(314)	Cash and Cash Equivalents	16	(788)
(6,424)	Short Term Payables	20	(6,487)
(188)	Short Term Provisions	21	(322)
(1,208)	Revenue Grants Received in Advance	31	0
(8,134)	Current Liabilities		(7,597)
(937)	Long Term Payables	20	(944)
(29)	Long Term Provisions	21	0
(70,952)	Long Term Borrowing	41	(70,952)
(26,950)	Other Long Term Liabilities	22	(40,529)
(9)	Capital Grants Received in Advance	31	(11)
(98,877)	Long Term Liabilities		(112,436)
46,581	Net Assets		60,482
16,925	Usable Reserves	23	30,341
29,656	Unusable Reserves	24	30,141
46,581	Total Reserves		60,482

CORE Financial STATEMENTS

The Cash Flow Statement

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

2012/13 £'000		Note	2013/14 £'000
4,826	Net surplus or (deficit) on the provision of services		15,096
4,542	Adjustments to net surplus or deficit on the provision of services for non cash movements		3,857
(2,829)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(9,054)
6,539	Net Cash flows from Operating Activities		9,899
4,350	Investing Activities	26	2,808
(3,862)	Financing Activities	27	(970)
7,027	Net increase or decrease in cash and cash equivalents		11,737
(232)	Cash and Cash Equivalents at the beginning of the reporting period		6,795
6,795	Cash and cash equivalents at the end of the reporting period	16	18,532

1. Accounting Standards Issued But Not Yet Adopted

The Council has not yet adopted the following accounting standards changes expected in future years:

- IFRS 13 *Fair Value Measurements*
- IFRS 10 *Consolidated Financial Statements* (May 2011)
- IFRS 11 *Joint Arrangements* (May 2011)
- IFRS 12 *Disclosure of Interests in Other Entities* (May 2011)
- IAS 27 *Separate Financial Statements* (as amended in May 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in May 2011)
- IAS 32 *Financial Instruments: Presentation* (as amended in December 2011)

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:

- 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 and reduce levels of service provision.
- The Code gives strict criteria for assets held as Investment Properties. For the Council, those assets which are held for rental purposes are classified as investment properties. The Council's Atkin's building has been deemed as an operational asset on the basis that it is used to a material extent to carry out Council operations.
- The Council has reviewed the arrangements in place for operation of the Leicestershire Partnership – Revenues and Benefits. The Joint Committee has been classified as a 'Jointly Controlled Operation' on the basis that it is not a separate legal entity and has been accounted for in line with the Council's Accounting Policies for these arrangements.
- The Council has been awarded Regional Growth Funds (RGF) for the development of the MIRA Enterprise Zone and surrounding road networks. Elements of this funding are spent directly by the Council with other amounts transferred to key partners to fund the project. The treatment of this funding has been reviewed in line with IAS18 and it has been judged that the Council is acting as a 'principal' in respect of directly incurred expenditure and an 'agent' for expenditure incurred by partners. Where the Council is acting as the 'principal', expenditure has been shown in the relevant line within the Comprehensive Income and Expenditure account and income has been treated as a "grant" and in accordance with the Council's accounting policies for these arrangements. Payments made as the 'agent' have been passed through the Balance Sheet. The nature of all balances relating to this scheme are outlined in the Explanatory Forward.
- Included in the provisions held on the Balance Sheet is a Balance for £0.215 million reflecting an estimate for the cost of refunding ratepayers who successfully appeal against the rateable value of their property. The value of this provision has been made based on assessment of the status of appeals as at 31st March 2014 in conjunction with an external expert. Two key judgements have been made in estimating this provision:
 1. Appeals that have been assessed as likely to be withdrawn have not been provided for.
 2. Appeals that have been assessed as likely to be settled after the 1 April 2015 have been considered as likely dismissals and have not been provided for.

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 2014 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<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. It is estimated that the annual depreciation charge for the property would increase by £0.177million for every year that the useful life is reduced.</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 £0.311million
Arrears	<p>At 31st March 2014, the Council had a balance of £2.286 million for sundry "general" debtors. A review of balances suggested that an impairment of doubtful debts of £0.082million was appropriate. However in the current economic climate it is not certain that</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.082million to be set aside as an allowance.</p>

NOTES TO THE *Core Financial Statements*

	such an allowance would be sufficient.	
Provisions and Contingent Liabilities	<p>The Council has made provisions of £0.364 million to recognise costs that may arise as a result of past events. In addition, various contingent liabilities have been acknowledged based on costs that may arise in the forthcoming years.</p> <p>It is not certain that all payments will materialise or be paid at the estimated level.</p>	<p>An increase over the forthcoming year of 10% would have the effect of adding £0.036million to the provision needed. The judgements used in estimating the appeals provision included in this balance have been detailed in note 2. Based on current appeals data, if these two judgements were incorrect, the provision would increase in the liability by £0.260million.</p>
Accruals	<p>Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to.</p>	<p>The expense or the income could be either higher or lower than expected. An increase in creditor accruals (General Fund and HRA £1.971million) of 25% would mean that an additional £0.493 million would be taken to service accounts.</p>

4. Material Items of Income and Expenses

The Regional Growth Funding income received in year and transferred to unapplied grants and contributions has been disclosed separately as an exceptional item in the Comprehensive Income and Expenditure Statement.

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

The Statement of Accounts were authorised for issue on 26th June 2014 by S. Kohli, Deputy Chief Executive (Corporate Direction). Events taking place after this date are not reflected in the financial statements or notes.

The following are deemed non adjusting events:

Town Centre Redevelopment

The Council is currently undergoing the regeneration of the town centre in conjunction with a third party developer – the Tin Hat Regeneration Partnership Ltd. In accordance with the Development Agreement held with the developer, a loan of £7million was made to the Tin Hat Regeneration Partnership on 7th May 2014 and repaid on 15th May 2014. The Council borrowed £7million from the market to make these funds available.

As part of this development, the Council transferred assets valued at £1.159 million as at 31st March 2014 to the Tin Hat Regeneration Partnership Ltd on 14th May 2014 at nil value. The loss on disposal of these assets will be disclosed in the 2014/2015 Comprehensive Income and Expenditure Account.

Capital Receipt

In 2012/13 the Council disposed of the former Boys Club site on Stoke Road for £2.3million. The asset was transferred back to the Council when its lease expired in 2011/12 and earmarked for sale in the same year. The Council received £1.265million of capital receipt for this asset in 2012/13. The remaining £1.035million was received on 11th April 2014 and therefore as at 31st March 2014 was reflected as a “Deferred Capital Receipt” within the Balance Sheet.

NOTES TO THE *Core Financial Statements*

The Statement of Accounts and notes have not been adjusted for the these transactions which took place after 31st March 2014 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

NOTES TO THE Core Financial Statements

6. Adjustments between Accounting Basis and Funding Basis under Regulation

2013/14

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the Capital Adjustment Account						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Charges for depreciation/amortisation of non current Assets	(1,287)	(3,000)	0	0	0	4,287
Revaluation (losses)/gains on Property Plant and Equipment	(1,020)	3,170	0	0	0	(2,150)
Movement in the market value of Investment Properties	503	0	0	0	0	(503)
Revenue expenditure funded from capital under statute	(1,424)	(17)	0	0	0	1,441
Capital Expenditure Financed from Unapplied Grants and Contributions	119	48	0	0	0	(167)
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	(128)	(927)	0	0	0	1,055
Capital expenditure Charged to Fund Balances	89	550	0	0	0	(639)
<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	854	0	0	0	0	(854)
Adjustments Primarily Involving the Capital Grants Unapplied Account						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	10,041	0	0	0	(10,046)	5
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	499	388	0	0	0	(887)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	922	(922)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	1,325	(1,330)	0	0	5
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(337)	0	337	0	0	0

NOTES TO THE Core Financial Statements

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repair Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Application of Capital Receipts to finance new Capital Expenditure	0	0	1,211	0	0	(1,211)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	2,117	0	(2,117)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,163	0	(2,163)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,590)	(251)	0	0	0	2,841
Employer's Pension contributions and direct payments to pensioners payable in the year	1,407	228	0	0	0	(1,635)
Capital Cost of Early Retirement	116	16	0	0	0	(132)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	52	0	0	0	0	(52)
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	(47)	0	0	0	0	47
Adjustment involving the Accumulated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	25	3	0	0	0	(28)
Adjustment involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	3	0	0	0	0	(3)
TOTAL ADJUSTMENTS	6,875	3,650	218	46	(9,124)	(1,665)

2012/13

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the Capital Adjustment Account						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Charges for depreciation/amortisation of non current Assets	(1,382)	(2,942)	0	0	0	4,324
Revaluation (losses)/gains on Property Plant and Equipment	(324)	888	0	0	0	(564)
Movement in the market value of Investment Properties	(147)	0	0	0	0	147
Revenue expenditure funded from capital under statute	(291)	0	0	0	0	291
Capital Expenditure Financed from Unapplied Grants and Contributions	89	0	0	0	0	(89)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,400)	(535)	0	0	0	1,915
Capital expenditure Charged to Fund Balances	42	220	0	0	0	(262)
<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	743	0	0	0	0	(743)
Adjustments Primarily Involving the Capital Grants Unapplied Account						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,043	25	0	0	(2,083)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	557	130	0	0	0	(687)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	40	(40)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,400	784	(2,189)	0	0	2

NOTES TO THE Core Financial Statements

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(310)	0	310	0	0	0
Application of Capital Receipts to finance new Capital Expenditure	0	0	1,341	0	0	(1,341)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	2,117	0	(2,117)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,071	0	(2,071)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,990)	(201)	0	0	0	2,191
Employer's Pension contributions and direct payments to pensioners payable in the year	1,256	215	0	0	0	(1,471)
Capital Cost of Early Retirement	115	16				(131)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(13)	0	0	0	0	13
Adjustment involving the Accumulated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	(1)	0	0	0	(3)
Adjustment involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	3	0	0	0	0	(3)
TOTAL ADJUSTMENTS	413	716	(555)	(46)	(2,029)	1,502

NOTES TO THE Core Financial Statements

7. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14. In addition the note outlines balances of unapplied grants and contributions as at 31st March.

	Balance at 31st March 2012	Transfers out 2012/13	Transfers in 2012/13	Balance at 31st March 2013	Transfers out 2013/14	Transfers in 2013/14	Balance at 31st March 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Commutation and Feasibility Benefits	287	(120)	0	167	(41)	0	126
Local Plan Procedure	442	(34)	73	481	(119)	0	362
Historic Buildings	14	0	0	14	(14)	0	0
Land Charges	51	(20)	233	264	(45)	0	219
Pensions Contributions	49	0	0	49	0	85	134
Building Control	134	0	0	134	(134)	0	0
Waste Management	243	0	74	317	(54)	0	263
ICT	253	(41)	0	212	0	0	212
Project Management/Masterplan	333	0	0	333	(130)	0	203
Shared Services	74	0	0	74	(74)	0	0
Housing and Planning Delivery Grant	172	(43)	0	129	(68)	0	61
Flexible Working	15	0	0	15	(15)	0	0
Freedom of Information Act Training	3	(3)	0	0	0	0	0
New Performance Improvement Set	10	(2)	0	8	(8)	0	0
Housing Energy Certificate Training	11	0	0	11	(11)	0	0
Finance Capacity Fund	22	0	0	22	(22)	0	0
Priority Improvement Fund	70	(70)	0	0	0	0	0
Workforce Strategy	3	0	10	13	0	0	13
Elections	62	0	25	87	0	0	87
Grounds Maintenance Machinery Replacement	75	(16)	25	84	(25)	0	59
Transformation	50	0	0	50	(21)	0	29
Relocation	317	(326)	346	337	(406)	170	101
Future Capital Projects	611	(611)	0	0	0	0	0
Modern.Gov	2	0	0	2	(2)	0	0
Greenfields	19	0	0	19	(19)	0	0
Special Expenses	48	(74)	177	151	(8)	175	318
Carry Forwards	136	(136)	139	139	(139)	217	217
Hub Future Rental Management	250	0	0	250	(85)	750	915
Business Rates Pooling	0	0	110	110	0	60	170
Leisure Centre	0	0	1,353	1,353	(27)	1,325	2,651
Community Safety	0	0	3	3	(3)	0	0
Troubled Families	0	(30)	90	60	(30)	0	30
Hinckley Club for Young People	0	0	5	5	0	0	5
Development Control	0	0	40	40	(40)	0	0
Customer Services	0	0	0	0	(11)	11	0
Market Income Management	0	0	0	0	0	15	15
Car Parking Income	0	0	0	0	0	25	25
Total Earmarked Reserves	4,028	(1,526)	2,911	5,413	(1,825)	2,884	6,472
Unapplied Grants and Contributions	942	(86)	2,069	2,925	(2,058)	11,169	12,036
Total General Fund	4,970	(1,612)	4,980	8,338	(3,883)	14,053	18,508

NOTES TO THE Core Financial Statements

Housing Revenue Account:							
HRA Piper Balance	126	0	11	137	(12)	10	135
HRA Communal Furniture	4	0	0	4	0	0	4
HRA Housing Repairs Account	472	(230)	0	242	0	241	483
Regeneration	0	0	2,834	2,834	(389)	1,940	4,385
Repayment	0	0	0	0	0	1,900	1,900
Pension Contributions	0	0	0	0	0	29	29
HRA Carry forwards	0	0	34	34	(34)	111	111
Total HRA Earmarked Reserves	602	(230)	2,879	3,251	(435)	4,231	7,047
HRA Unapplied Grants and Contributions	6	0	25	31	(25)	30	36
Total Housing Revenue Account	608	(230)	2,904	3,282	(460)	4,261	7,083
TOTAL	5,578	(1,842)	7,884	11,620	(4,343)	18,314	25,591

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 particularly in light of the changes in Council Tax Benefit from 2013/14.

Hub Future Rental Management Reserve

Developer incentives received have been 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.

Special Expenses Reserve

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

Local Plan Procedure Reserve

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

Business Rates Pooling Reserve

From 2013/14, Business Rates Retention will mean that certain losses in rates will need to be funded by the Council. This reserve has been created to reflect the total amount of Business Rates this Council is required to "lose" before receipt of a safety net payment.

Relocation Reserve

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

Leisure Centre Reserve

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

7. Transfers To/From Earmarked Reserves (continued)

Carry Forwards Reserve

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

Troubled Families Reserve

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

Land Charges Reserve

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

ICT Reserve

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

Waste Management Reserve

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

Project Management/Masterplan Reserve

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

Housing and Planning Delivery Grant Reserve

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

Workforce Strategy Reserve

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

Election Reserve

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

Grounds Maintenance Machinery Replacement Reserve

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

Pension Contributions Reserve (General Fund and HRA)

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

Transformation Reserve

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

Hinckley Club for Young People Reserve

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

7. Transfers To/From Earmarked Reserves (continued)

Market Income Management Reserve

This reserve will management 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.

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 Reserve

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

Regeneration Reserve

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

Repayment Reserve

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

Reserves removed in year

The Council reviews the make up of reserves on an annual basis to ensure available funds meet the needs of the Council. The following reserves were re-earmarked in 2013/14 as a result of this exercise in September 2013:

- Historical Buildings
- Building Control
- Shared Services
- Flexible Working
- New Performance Improvement Set Reserve
- Housing Energy Certificate Training
- Finance Capacity Fund
- Greenfields
- Modern.gov
- Community Safety
- Development Control
- Customer Services

NOTES TO THE Core Financial Statements

8. Other Operating Expenditure

	2013/14 £'000	2012/13 £'000
(Gain)/ Losses on disposal of Non Current Assets	(272)	(247)
Amounts due to Precepting Authorities	1,426	1,505
Contribution to Housing pooled Capital Receipts	337	292
Total	1,491	1,550

9. Financing and Investment Income and Expenditure

	2013/14 £'000	2012/13 £'000
Interest payable and similar charges *	2,794	2,333
Pension Interest Costs	2,908	2,648
Net Surplus of Undertakings (see note 28)	(484)	(544)
Interest and Investment Income	(68)	(38)
Expected return on pension assets (see note 40)	(1,774)	(1,879)
Revaluation of Investment Properties	(522)	179
Total	2,854	2,699

* - Interest payable in 2013/14 includes £2.104 million interest on HRA self financing loans

10. Taxation and Non Specific Grant Income

	2013/14 £'000	2012/13 £'000
Demand on Collection Fund	(5,276)	(5,731)
Balance on Collection Fund	(2)	(21)
Revenue Support Grant	(3,001)	(102)
National Non Domestic Rates	(1,991)	(5,270)
New Homes Bonus	(1,042)	(711)
Council Tax Freeze Grant	(147)	(106)
Council Tax Support Grant	(545)	0
New Burdens Grant	0	(5)
National Non Domestic Rates – Levy Payment	177	0
Total	(11,827)	(11,946)

NOTES TO THE Core Financial Statements

11. Property, Plant and Equipment

2013/14

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infra-Structure Assets	Community Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1st April 2013	105,576	14,478	9,438	2,011	4,194	287	135,984
Additions	3,033	9,019	695	0	175	36	12,958
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	0	3,544	0	0	0	0	3,544
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,179	(1,030)	0	0	0	0	2,149
Derecognition -Disposals	(921)	(148)	0	0	0	0	(1,069)
Other Movements in the cost of valuation	(2,978)	(131)	0	0	0	(286)	(3,395)
At 31st March 2014	107,889	25,732	10,133	2,011	4,369	37	150,170
Accumulated Depreciation and Impairment							
At 1st April 2013	0	0	(4,529)	(670)	0	0	(5,199)
Depreciation Charge	(2,978)	(439)	(640)	(55)	0	0	(4,112)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Other Movements in Depreciation and Impairment	2,978	439	0	0	0	0	3,417
At 31st March 2014	0	0	(5,169)	(725)	0	0	(5,894)
Net Book Value							
At 31st March 2014	107,889	25,732	4,964	1,286	4,369	37	144,277
At 31st March 2013	105,576	14,478	4,909	1,341	4,194	287	130,785

NOTES TO THE Core Financial Statements

11. Property, Plant and Equipment (continued)

2012/13

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1st April 2012	105,431	13,116	9,067	2,011	3,880	2,300	12	135,817
Additions	2,728	1,747	371	0	314	0	286	5,446
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	0	692	0	0	0	0	0	692
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	884	(714)	0	0	0	0	0	170
Derecognition -Disposals	(535)	0	0	0	0	(2,300)	0	(2,835)
Other Movements in the cost of valuation	(2,932)	(363)	0	0	0	0	(11)	(3,306)
At 31st March 2013	105,576	14,478	9,438	2,011	4,194	0	287	135,984
Accumulated Depreciation and Impairment								
At 1st April 2012	0	0	(3,994)	(614)	0	0	0	(4,608)
Depreciation Charge	(2,932)	(645)	(535)	(56)	0	0	0	(4,168)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	(0)
Other Movements in Depreciation and Impairment	2,932	645	0	0	0	0	0	3,577
At 31st March 2013	0	0	(4,529)	(670)	0	0	0	(5,199)
Net Book Value								
At 31st March 2013	105,576	14,478	4,909	1,341	4,194	0	287	130,785
At 31st March 2012	105,431	13,116	5,073	1,397	3,880	2,300	12	131,209

11. Property, Plant and Equipment (continued)

Depreciation

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

Asset Classification	Basis of Depreciation
Council Dwellings	Residual lives based on total life of 80 years but with a minimum residual life of 20 years to reflect enhancements as the Council is at Decent Homes Standard.
Land	Not depreciated.
Operational Buildings	Residual lives provided by the valuer in report of 31st March 2014. Depreciation is based upon the updated residual lives of revalued properties.
Vehicles, Plant and Equipment	Based on expected lives of the asset.
Infrastructure	Depreciated over a 40 year life.
Community Assets	Not depreciated as these are land assets.
Non-Operational Investment Assets	Not depreciated
Intangible Assets	Amortised over useful life (e.g. software over 5 years).
Heritage Assets	Not depreciated as have indefinite life.
Surplus Assets	Not depreciated

Capital Commitments

At 31st March 2014, the Council had capital commitments of £0.179million (£0.134million 2012/13) relating to demolition works for the former depot and Council offices and the RGF works. In all other cases, contracts had not been let by 31st March 2014.

Revaluations

The freehold and leasehold properties, which comprise the Council's property portfolio, are revalued by Mr D.W. Flatley FRICS of Sturgis, Snow and Astill LLP, 98 New Walk, Leicester. 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 full valuation of Council Properties was undertaken by Sturgis Snow and Astill LLP as at 31st March 2014. The valuation of Council dwellings used beacon values to determine the total valuation.

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

Effects of changes in Estimates

In 2013/14 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

NOTES TO THE *Core Financial Statements*

12. Investment Properties

The following items of income and expense, relating to Investment Properties, have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2013/14	2012/13
	£'000	£'000
Income from investment property including capital grant credited to the Comprehensive Income and Expenditure Statement but appropriated to Reserves	(653)	(660)
Direct operating expenses arising from investment property	(300)	322
Net (Gain)/Loss	(953)	(338)

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

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

	2013/14	2012/13
	£'000	£'000
Opening Balance	8,951	9,064
Additions:		
Construction	29	34
Subsequent Expenditure	0	0
Disposals	0	0
Net Gains/(Losses) from fair value adjustments	503	(147)
Closing Balance	9,483	8,951

13. Heritage Assets

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

	2013/14	2012/13
	£'000	£'000
Opening Balance	121	121
Additions	0	0
Disposals	0	0
Revaluations	0	0
Impairment losses/(reversals) recognised in Revaluation Reserve	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0
Other Movements	0	0
Closing Balance	121	121

NOTES TO THE Core Financial Statements

14. Intangible Assets

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

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

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £0.177 million charged to revenue in 2013/14 was charged to IT Administration cost centre and then absorbed as an overhead across all the service headings in the net expenditure of respective services.

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

	2013/14 £'000	2012/13 £'000
Opening Balance		
Gross carrying amounts	3,406	3,403
Accumulated amortisation	(2,856)	(2,701)
Net carrying amount – Opening Balance	550	702
Additions	2	3
Amortisation for the period	(177)	(155)
Net carrying amount – Closing Balance	375	550
Comprising:		
Gross Carrying amounts	3,408	3,406
Accumulated amortisation	(3,033)	(2,856)
Closing Balance	375	550

15. Inventories

	2013/14 £'000	2012/13 £'000
Inventories	8	6

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

16. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents (split across current assets and current liabilities) is made of the following elements:

	2013/14 £'000	2012/13 £'000
Cash held by the Council	1	1
Bank Current Accounts	(788)	(314)
Short-term deposits with Building Society/Banks	8,539	4,988
Regional Growth Funding – short-term deposit *	10,780	2,120
Total Cash and Cash Equivalents held on Balance Sheet	18,532	6,795

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

NOTES TO THE *Core Financial Statements*

17. Investments

The Council's investments are detailed below:

	2013/14 £'000	2012/13 £'000
Short Term Investments < 1 Year	0	0
Long Term Investments > 1 Year	0	0
Total Investments	0	0

All Council deposits in money market accounts at 31st March 2014 were being held for a period of less than 3 months and therefore have been classified as Cash and Cash Equivalents in line with the Code and Accounting Policies.

18. Long Term Receivables

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

	2013/14 £'000	2012/13 £'000
North West Leicestershire District Council	136	149
Hinckley Museum	4	8
Car Loans to Employees	39	39
Sale of Council Houses	0	2
Atkins Cafe	10	14
National Non Domestic Rates	0	61
Total Long Term Receivables	189	273

19. Short Term Receivables

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

	2013/14 £'000	2012/13 £'000
Car Loans to Employees	20	30
Cycle Loans to Employees	4	0
Central Government Bodies	730	910
Other Local Authorities	280	98
Housing rent	239	299
Sundry debtors	4,438	3,092
Council Tax, Community Charge and NNDR	2,527	1,752
Prepayments	555	485
Provision for Doubtful Debts	(1,020)	(869)
Total Short Term Receivables	7,773	5,797

20. Short and Long Term Payables

	2013/14	2012/13
	£'000	£'000
<i>Short Term Payables</i>		
Inland Revenue	195	212
Other Local Authorities	252	267
Housing Rents	91	67
Department for Energy and Climate Change *	170	375
Regional Growth Funding *	246	912
Sundry Creditors	2,647	3,010
Central Government Bodies	603	103
Council Tax and National Non Domestic Rates	2,283	1,478
Total Short Term Payables	6,487	6,424
<i>Long Term Payables</i>		
Sundry Payables	944	875
National Non Domestic Rates	0	61
Total Payables	7,431	7,361

* These balances relate to elements of funding received in year which will be transferred to other bodies in 2014/15. The nature of all balances relating to these schemes are outlined in the Explanatory Forward

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

	2013/14			2012/13		
	Repayable in less than 1 year £'000	Repayable in more than 1 year £'000	Total £'000	Repayable in less than 1 year £'000	Repayable in more than 1 year £'000	Total £'000
Section 106	157	625	782	223	702	925
Play and Open Space	307	1,328	1,635	231	173	404
Total	464	1,953	2,417	454	875	1,329

NOTES TO THE *Core Financial Statements*

21. Provisions

	Capital Cost of Early Retirement Provision £'000	Redundancy Cost Provision £'000	Planning Appeal Provision £'000	Business Rate Appeals Provision £'000	Enforcement Appeal Provision £'000	Total £'000
Balance at 1st April 2013	161	56	0	0	0	217
Additional provisions arising in the year	0	0	70	215	8	292
Amounts used during the year	(131)	(56)	0	0	0	(187)
At 31st March 2014	30	0	70	215	8	322

Provisions are split on the Balance Sheet as follows:

	2013/14
	£'000
Short Term Provisions	107
Long Term provisions	215
Total Provisions	<u>322</u>

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.
- Redundancy Cost – International Financial Reporting Standards require that the cost of redundancy terminations are recognised in the accounts when it becomes certain that they will occur and when they can be quantified. Where terminations are approved in one financial year but will not occur until the next an estimate of the costs is recognised in the year of account the redundancy is approved and shown as a provision in the accounts. The provision will be utilised when the redundancy occurs and payments made to the employee.
- Planning Appeals – Where planning appeal hearings or judicial review dates are known as at the year end and external Counsel deem that costs are likely to be awarded as a result of this process, a provision is made for an estimate of these costs.

NOTES TO THE *Core Financial Statements*

21. Provisions (continued)

- Business Rates – 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. The Government has committed to ensuring that 95% of all appeals will be heard by 2016 and therefore for the purpose of the Balance Sheet, the provision has been classified as long term. 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.
- Enforcement Appeal – This provision relates to the costs associated with a legal hearing current ongoing regarding noise levels in the Borough. These costs were recommended by the Ombudsman as at 31st March 2014 but clarification on the liability will not be known until 2014/15.

22. Other Long term Liabilities

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

	31st March 2014 £'000	31st March 2013 £'000
Pensions Liability (see note 40)	31,142	25,187
Finance lease liabilities	9,387	1,763
Total Long Term Liabilities	40,529	26,950

23. Usable Reserves

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

NOTES TO THE Core Financial Statements

24. Unusable Reserves

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

	31st March 2014 £'000	31st March 2013 £'000
Revaluation Reserve	(4,853)	(1,308)
Capital Adjustment Account	(55,596)	(52,867)
Financial Instrument Adjustment Account	22	25
Deferred Capital Receipts Reserve	(1,035)	(1,037)
Collection Fund Adjustment Account – Council Tax	(45)	7
Collection Fund Adjustment Account – NNDR	47	0
Pension Fund Reserve	31,171	25,348
Accumulated Absences Adjustment Account	148	175
Total Unusable Reserves	(30,141)	(29,657)

(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.

2012/13 £'000		2013/14 £'000
(3,039)	Balance at 1st April	(1,308)
(752)	Upward revaluation of assets	(3,556)
58	Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the provision of services	6
2,425	Accumulated gains on assets sold or scrapped/ written off to the Capital Adjustment Account	5
(1,308)	Balance at 31st March	(4,853)

Capital Adjustment Account

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

NOTES TO THE *Core Financial Statements*

24. Unusable Reserves (continued)

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

2012/13		2013/14
£'000		£'000
(52,366)	Balance at 1st April	(52,867)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:</i>	
4,064	Charges for depreciation and impairment of non current Assets	4,288
(304)	Revaluation losses/gains on Property, Plant and Equipment	(2,155)
291	Revenue expenditure funded from Capital under statute	1,441
535	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	1,055
<u>4,586</u>		<u>4,629</u>
0	Adjusting amounts written out of the revaluation reserve	0
<u>(47,780)</u>		<u>(48,238)</u>
	<i>Capital financing applied in the year:</i>	
(1,341)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,221)
(2,071)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,162)
(89)	Capital grants and contributions credited to the Comprehensive and Income and Expenditure statement that have been applied to capital financing	(167)
(40)	Application of grants to capital financing from the Capital Grants Unapplied Account	(922)
(1,431)	Statutory provisions for financing of capital investment charged against the General Fund and HRA balances	(856)
(262)	Capital expenditure charged against the General Fund and HRA balances	(1,527)
<u>(5,234)</u>		<u>(6,854)</u>
147	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(503)
<u>(52,867)</u>	Balance at 31st March	<u>(55,596)</u>

24. Unusable Reserves (continued)

Financial Instrument Adjustment Account

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

2012/13		2013/14
£'000		£'000
28	Balance at 1st April	25
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
1	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance	0
<u>1</u>		<u>0</u>
(4)	Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance to statutory requirements	(3)
<u>25</u>	Balance at 31st March	<u>22</u>

Deferred Capital Receipts Reserve

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

2012/13		2013/14
£'000		£'000
(4)	Balance at 1st April	(1,037)
(1,033)	Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2
<u>(1,037)</u>	Balance at 31st March	<u>(1,035)</u>

Collection Fund Adjustment Account

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

2012/13		2013/14
£'000		£'000
(6)	Balance at 1st April	7
13	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance to Statutory requirements	(52)
0	Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance to Statutory requirements	47
<u>7</u>	Balance at 31st March	<u>2</u>

24. Unusable Reserves (continued)

Pension Fund Reserve

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

2012/13		2013/14
£'000		£'000
20,812	Balance at 1st April	25,348
3,947	Actuarial gains and losses on pensions assets and liabilities	4,746
2,191	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement	2,841
(1,471)	Employers pension contributions and direct payments to pensioners payable in the year	(1,632)
(131)	Capital cost of early retirement	(132)
25,348	Balance at 31st March	31,171

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.

2012/13		2013/14
£'000		£'000
178	Balance at 1st April	175
(178)	Settlement or cancellation of accrual made at the end of the preceding year	(175)
175	Amounts accrued at the end of the current year	148
175	Balance at 31st March	148

25. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2012/13		2013/14
£'000		£'000
(38)	Interest Received (See note 9)	(68)
2,333	Interest Paid (See note 9)	2,794

NOTES TO THE *Core Financial Statements*

26. Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

2012/13		2013/14
£'000		£'000
137,593	Purchase of short-term and long-term investments	120,039
5,094	Purchase of property, plant and equipment, investment property and intangible assets	5,279
(2,188)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(1,326)
(144,701)	Proceeds from short-term and long-term investments	(117,199)
(148)	Other proceeds not in above	(9,601)
(4,350)	Net cash flows from investing activities	(2,808)

27. Cash Flow Statement – Financing Activities

2012/13		2013/14
£'000		£'000
(7,000)	Cash Receipts from short and long term borrowing	(4,650)
273	Cash payments for the reduction of outstanding liabilities relating to Finance Leases	451
10,600	Repayment of short and long term borrowing	4,650
(11)	Other Payments not in above	519
3,862	Net cash flows from financing activities	970

28. Trading Operations

The Council operated the following trading services in 2013/14 for which outturn income and expenditure was as shown in the table below:

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

NOTES TO THE *Core Financial Statements*

28. Trading Operations (continued)

	2013/14 Income	2013/14 Expenditure	2013/14 (Surplus)/ Deficit	2012/13 (Surplus)/ Deficit
	£'000	£'000	£'000	£'000
Markets	(162)	199	37	52
Industrial Estates	(1,184)	197	(987)	(304)
Grounds Maintenance DSO	(978)	933	(45)	(124)
Housing Repairs DSO	(1,609)	1,600	(9)	11
External Paintings	(106)	105	(1)	0
Net Surplus on ordinary activities	(4,039)	3,034	(1,005)	(365)
Net impact of extra-ordinary items on (surplus)/deficit			0	0
Market Value Impairment			521	(179)
Net (surplus)/deficit reported in Financing and Investment Income and Expenditure (note 9)			(484)	(544)

29. Members' Allowances

Total members' allowances paid in 2013/14 were £165,885 (2012/13 - £166,017) and £6,271 were paid for members' expenses (2012/13 - £7,749).

30. External Audit Costs

In 2013/14 Hinckley and Bosworth Borough Council incurred the following fees relating to external audit and inspection:

	2013/14 £'000	2012/13 £'000
Fees payable to the PricewaterhouseCoopers LLP with regards to external audit services carried out by the appointed auditor	65	65
Fees payable to the PricewaterhouseCoopers LLP for the certification of grant claims and returns	29	46
Rebate received from The Audit Commission	(9)	0
Total fees payable	85	111

In 2013/14, PricewaterhouseCoopers LLP provided £9,800 of non audit services to the Council for the delivery of a fraud awareness workshop and VAT advice relating to partial exemption and implications of the Crescent development. Adequate safeguards were put in place to maintain independence.

31. Grant Income

	2013/14 £'000	2012/13 £'000
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant	3,001	102
New Homes Bonus	1,042	711
Council Tax Freeze Grant	147	106
Council Tax Support Grant	545	0
Total	4,735	919
Credited to Services:		
Disabled Facilities	198	245
Waste and Recycling	997	1,010
Regional Growth Funding	10,651	365
Homelessness	59	120
Housing Benefit Administration	511	541
Benefit Reimbursements	18,758	24,349
Regional Improvement Efficiency Partnership	0	9
Decent Homes	9	11
Locality Partnership (Sure Start)	330	401
Community Safety	26	71
Sports Grants	293	189
Play and Open Space	0	227
Developer Contributions	21	1
Elections	122	140
NNDR Cost of Collection	123	123
Supporting People and other HRA grants	457	439
Green Deal and Fuel Poverty Funding	2,193	2,708
Homes and Communities Agency	25	0
Capitalisation Provision Redistribution Grant	18	0
New Burdens	51	0
Small Business Rates Relief	424	0
Community Grants	16	0
Local Council Tax 8.5% Scheme	15	0
EU Inspire	7	0
Growth Point Funding	25	0
Environmental Improvements	17	0
Other	0	38
Total	35,346	30,987

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

32. Related Party Transactions

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

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

Other Local Authorities, most notably Leicestershire County Council (LCC) also provide significant levels of income to the Council and charges are made in return. Total income received from LCC was £2.367million. Total expenditure including precept payments was £50.449 million.

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

Members of the Council and Chief Officers have direct control over the Council's financial and operating policies. Three (2012/13 – Three) related party declarations have been made in 2013/14 as follows:

- One elected member is the Treasurer for Community Action, Hinckley and Bosworth which received £32,020 of funding from the Council in 2013/14 (2012/13 - £20,463).
- One member has declared that two members of his family provide buffets for Council occasions. The Council has paid this organisation £778 in 2013/14 for these services. (2012/13 - £1,212)

33. Capital Expenditure and Capital Financing

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

	2013/14 £'000	2012/13 £'000
Opening Capital Financing Requirement	87,305	85,251
Capital Investment		
Property Plant and Equipment	12,958	5,446
Investment Properties	29	34
Intangible Assets	2	3
Revenue Expenditure funded from Capital under Statute	4,206	1,633
Total Expenditure in year	<u>17,195</u>	<u>7,116</u>
Internal Financing of Capital Expenditure		
Application of Usable Capital Receipts	(1,221)	(1,341)
Application Capital Grants Contributions/ Reserves	(4,742)	(1,471)
Capital Financed from Revenue	<u>(3,648)</u>	<u>(2,250)</u>
Total Internal Financing	<u>(9,611)</u>	<u>(5,062)</u>
Closing Capital Financing Requirement	<u>94,889</u>	<u>87,305</u>
Explanation of Movements in year:		
Increase in underlying need for borrowing		
Supported by Government Financial Assistance	0	0
Unsupported by Government Financial Assistance	7,584	2,054
Increase in Capital Financing Requirement	<u>7,584</u>	<u>2,054</u>

NOTES TO THE *Core Financial Statements*

34. Amounts Reported for Resource Allocation Decisions

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

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

Income and Expenditure Analysis 2013/14

	Leisure and Environment	Planning	DSO	Central Services to public	Support Services	Housing General Fund	Housing Revenue	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(2,506)	(2,812)	(2,693)	(1,057)	(4,300)	(19,620)	(12,274)	(45,263)
Other Government Grants	0	(180)	0	(382)	0	(51)	0	(612)
Total Income	(2,506)	(2,992)	(2,693)	(1,439)	(4,300)	(19,671)	(12,274)	(45,875)
Employee expenses	3,200	1,608	1,407	248	2,942	413	1,411	11,229
Other service expenses	3,740	1,581	908	2,105	4,854	21,007	8,995	43,190
Total Expenditure	6,940	3,189	2,315	2,353	7,796	21,420	10,406	54,419
Net Expenditure	4,434	197	(378)	914	3,496	1,749	(1,868)	8,544

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

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

2012/13 £'000		2013/14 £'000
4,357	Net Expenditure in the Directorate analysis	8,512
(1,808)	Net expenditure of services and support services not included in the analysis	(2,088)
322	Amounts in the Comprehensive Income and Expenditure Statement not reported to the management analysis	(14,038)
2,871	Cost of services in Comprehensive Income and Expenditure Statement	(7,614)

34. Amounts Reported for Resource Allocation Decisions (continued)

2013/14 Reconciliation to Subjective Analysis

	Directorate Analysis	Net expenditure of services and support services not included in the analysis	Comprehensive Income and Expenditure Statement not reported to the Management	Additional Segments not included in analysis but included in income and expenditure statement	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(45,263)	0	(10,089)	1,803	(53,549)	(3,519)	(57,068)
Interest and Investment income	0	0	0	0	0	(35)	(35)
Expected Return on Pension Assets	0	0	0	0	0	(1,774)	(1,774)
Government Grants and Contributions	(612)	0	0	0	(612)	0	(612)
Income From Council Tax	0	0	0	0	0	(12,004)	(12,004)
Total Income	(45,875)	0	(10,089)	1,803	(54,161)	(17,332)	(71,493)
Employee expenses	11,228	0	(25)	(656)	10,547	1,491	12,038
Other service expenses	43,160	0	(4,440)	(353)	38,398	496	38,863
Depreciation, amortisation and impairment	0	0	(278)	0	(278)	91	(187)
Support services recharges	0	0	0	0	0	435	435
Interest Payments	0	(2,088)	0	0	(2,088)	2,760	672
Pension Interest Costs	0	0	0	0	0	2,908	2,908
Precepts and Levies	0	0	0	0	0	1,603	1,603
Payments to Housing Capital Receipts Pool	0	0	0	0	0	337	337
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	(272)	(272)
Total Expenditure	54,388	(2,088)	(4,743)	(1,009)	46,579	9,849	56,397
Surplus or Deficit on the provision of services	8,512	(2,088)	(14,832)	794	(7,582)	(7,483)	(15,096)

NOTES TO THE *Core Financial Statements*

34. Amounts Reported for Resource Allocation Decisions (continued)

Income and Expenditure Analysis 2012/13

	Leisure and Environment £'000	Planning £'000	DSO £'000	Central Services to public £'000	Support Services £'000	Housing General Fund £'000	Housing Revenue £'000	Total £'000
Fees, charges and other service income	(2,465)	(3,132)	(415)	(6,721)	(1,065)	(21,148)	(11,891)	(46,837)
Other Government Grants	(7)	(45)	0	0	0	(75)	(2,880)	(3,007)
Total Income	(2,472)	(3,177)	(415)	(6,721)	(1,065)	(21,223)	(14,771)	(49,844)
Employee expenses	3,007	1,455	1,472	365	2,794	381	1,422	10,896
Other service expenses	3,503	1,496	(1,253)	7,891	2,381	19,485	9,802	43,305
Total Expenditure	6,510	2,951	219	8,256	5,175	19,866	11,224	54,201
Net Expenditure	4,038	(226)	(196)	1,535	4,110	(1,357)	(3,547)	4,357

34. Amounts Reported for Resource Allocation Decisions (continued)

2012/13 Reconciliation to Subjective Analysis

	Directorate Analysis	Net expenditure of services and support services not included in the analysis	Comprehensive Income and Expenditure Statement not reported to the Management	Additional Segments not included in analysis but included in income and expenditure statement	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(46,837)	0	0	3,303	(43,534)	(3,303)	(46,837)
Interest and Investment income	0	11	0	0	11	(38)	(27)
Expected Return on Pension Assets	0	0	0	0	0	(1,879)	(1,879)
Government Grants and Contributions	(3,007)	0	0	0	(3,007)	0	(3,007)
Income From Council Tax	0	0	0	0	0	(11,946)	(11,946)
Total Income	(49,844)	11	0	3,303	(46,530)	(17,166)	(63,696)
Employee expenses	10,896	0	0	(1,546)	9,350	2,939	12,289
Other service expenses	43,305	0	0	(1,221)	42,084	0	42,084
Support services recharges	0	0	(43)	(171)	(214)	0	(214)
Interest Payments	0	(2,066)	0	0	(2,066)	2,332	266
Pension Interest Costs	0	0	0	0	0	2,648	2,648
Precepts and Levies	0	0	0	0	0	1,505	1,505
Payments to Housing Capital Receipts Pool	0	0	0	0	0	292	292
Gain or Loss on Disposal of Non Current Assets	0	247	0	0	247	(247)	0
Total Expenditure	54,201	(1,819)	(43)	(2,938)	49,401	9,469	58,870
Surplus or Deficit on the provision of services	4,357	(1,808)	(43)	365	2,871	(7,697)	(4,826)

NOTES TO THE Core Financial Statements

35. Officers' Remuneration

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

Remuneration Band	2013/14	2012/13
	Number of employees	Number of employees
£50,000 - £54,999	3	1
£55,000 - £60,000	1	0

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

Post holder information (Post title)	Year	Salary (including fees and allowances)	Bonuses	Expense Allowances	Compensation for loss of Office	Benefits in Kind (e.g. Car Allowance)	Total Remuneration Excluding pension contributions	Pension Contribution	Total Remuneration Including pension contributions
		£	£	£	£	£	£	£	£
Chief Executive (Steve Atkinson)	2012/13	136,712	0	0	0	0	136,712	23,925	160,637
	2013/14	136,712	0	0	0	0	136,712	25,428	162,140
Deputy Chief Executive Community Direction	2012/13	95,231	0	0	0	0	95,231	16,665	111,896
	2013/14	95,231	0	0	0	0	95,231	17,713	112,944
Deputy Chief Executive Corporate Direction	2012/13	105,231	0	0	0	0	105,231	18,415	123,646
	2013/14	95,231	0	0	0	0	95,231	17,713	112,944
Head of Business Development and Street Scene Services	2012/13	79,773	0	0	17,000	0	96,773	10,371	107,144
	2013/14	0	0	0	0	0	0	0	0
Head of Corporate Governance & Customer Engagement	2012/13	65,100	0	0	0	0	65,100	11,392	76,492
	2013/14	67,500	0	0	0	0	67,500	12,555	80,055
Head of Community Services Housing	2012/13	62,700	0	0	0	0	62,700	10,972	73,672
	2013/14	67,500	0	0	0	0	67,500	12,555	80,055
Chief Officer Environmental Health	2012/13	60,602	0	0	0	0	60,602	10,552	71,154
	2013/14	67,500	0	0	0	0	67,500	12,555	80,055
Chief Officer- Finance, ICT, Asset Management, Audit and Procurement	2012/13	60,300	0	0	0	549	60,849	10,552	71,401
	2013/14	67,500	0	0	0	0	67,500	12,555	80,055

NOTES TO THE *Core Financial Statements*

35. Officers Remuneration (continued)

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 £	2012/13 £
£0 - £20,000	0	0	5	5	5	5	36,574	53,487
£20,001 – £40,000	0	0	0	2	0	2	0	60,334
£40,001-£60,000	0	0	0	2	0	2	0	96,387
£60,001-£80,000	0	0	0	0	0	0	0	0
£80,001-£100,000	0	0	0	0	0	0	0	0
£100,001-£150,000	0	0	0	0	0	0	0	0
Total	0	0	5	9	5	9	36,574	210,208

No capital costs of early retirement have been incurred in year.

NOTES TO THE *Core Financial Statements*

36. Leases

Council as Lessee

Finance Leases

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

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

	31st March 2014 £'000	31st March 2013 £'000
Other Land and Buildings	8,075 *	60
Vehicles, Plant, Furniture and Equipment	1,535	1,791
Total Value	9,610	1,851

* Relates to the Hinckley Hub office building

The Council is committed to making payments under these leases comprising settlement of 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:

	2013/14 £'000	2012/13 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	358	404
Non Current	9,030	1,359
Finance Costs payable in future years	13,065	259
Minimum Lease Payments	22,453	2,022

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2014 £'000	31st March 2013 £'000	31st March 2014 £'000	31st March 2013 £'000
Within One year	965	493	358	404
Between one and five years	3,540	1,467	1,347	1,297
After five years	17,948	62	7,682	62
Total	22,453	2,022	9,387	1,763

Operating Leases (As Lessee)

The Council has acquired 10 photocopiers by entering into operating leases. On the 1st April 2010 the Council entered into a new three year lease and in 2013/14 paid an annual rental charge of £9,337.

	2013/14 £'000	2012/13 £'000
Not later than one year	9	5
Later than one year and not later than five years	0	0
Total Payments	9	5

NOTES TO THE *Core Financial Statements*

36. 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 2013/14 for rental of space in the Hinckley Hub. The total rental income from the operating leases was £1,058,468 (£940,647 2012/13).

Lease payments due

	2013/14	2012/13
	£'000	£'000
Not later than one year	1,545	826
Later than one year and not later than five years	6,657	3,354
	8,202	4,180

37. Impairment Review

During 2013/14, the Council has undergone 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 £1.626 million in the Comprehensive Income and Expenditure Statement split as follows:

	2013/14	2012/13
	£'000	£'000
Property Plant and Equipment	1,611	716
Investment Property	15	415
Total Impairment Loss	1,626	1,131

38. Capitalisation of Borrowing Costs

No borrowing costs have been capitalised in the year. (£nil in 2012/13)

39. Termination Benefits

The Council made payments relating to voluntary redundancy/exit packages to employees in 2013/14 totalling £92,704 (£65,328 in 2012/13) and incurred capital costs of early retirement amounting to £25,240 (£63,511 in 2012/13). Of these amounts, £56,130 relating to packages and £25,240 relating to the capital costs of early retirement were provided for in 2012/2013. All capital costs associated with early retirement were funded by Leicestershire County Council Pension Fund. See note 35 for the number of exit packages and the cost per band. The cost of exit packages in 2013/14 was £36,574, which together with payments of £56,130 associated with previous periods, total £92,704.

40. Pensions and Retirement Benefits

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

The objectives of IAS 19 are to ensure that:-

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

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

Participation in Pension Schemes

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

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

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

Payments to the Pension Fund

It is budgeted that the Council will pay Leicestershire County Council £1.533 million in employer's pension contributions in the year 2014/15.

Transactions Relating to Retirement Benefits

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

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

NOTES TO THE *Core Financial Statements*

40. Pensions and Retirement Benefits (continued)

Income and Expenditure Account

Local Government Pension Scheme

Income and Expenditure Account	2013/14 £'000	2012/13 £'000
Net Cost of Service		
Current Service Cost	1,678	1,285
Past Service Cost (Gain)	0	0
Effect of Curtailments/Settlements	15	123
Administration Expenses	14	14
Net Operating Expenditure		
Net Interest Cost	1,134	769
Total charged to CIES	2,841	2,191
Statement of Movement on the General Fund Balance (Reversal of) Net Charges Made for Retirement Benefits in Accordance with IAS19	(2,841)	(2,191)
Actual Amount Charged Against General Fund Balance for Pensions in Year	1,550	1,385

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £4.746million (2012/13 losses of £3.947million) 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 2014 is £28.608million (£23.862million to 31st March 2013).

Local Government Pension Scheme

Balance Sheet Recognition	31st March 2014 £'000	31st March 2013 £'000
Present value of the defined benefit obligation	73,173	64,713
Fair value of plan assets	(42,031)	(39,526)
Net liability arising from defined benefit obligation	31,142	25,187

NOTES TO THE *Core Financial Statements*

40. Pensions and Retirement Benefits (continued)

Assets and Liabilities in Relation to Retirement Benefits

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

	Local Government Pension Scheme			
	2013/14	2013/14	2012/13	2012/13
	Unfunded	Funded	Unfunded	Funded
	£'000	£'000	£'000	£'000
Fair value of plan assets at 1 April	0	39,526	0	34,779
Interest on plan assets	0	1,774	0	1,664
Remeasurements (assets)	0	885	0	3,283
Employer contributions	82	1,550	86	1,385
Member contributions	0	477	0	457
Benefits/transfers paid	(82)	(2,181)	(86)	(2,042)
Fair Value of plan assets as at 31 March	0	42,031	0	39,526

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

	Local Government Pension Scheme			
	2013/14	2013/14	2012/13	2012/13
	Unfunded	Funded	Unfunded	Funded
	£'000	£'000	£'000	£'000
Benefit obligation at 1 April	1,357	63,356	1,443	53,856
Current service cost	0	1,678	0	1,285
Interest on pension liabilities	0	2,908	0	2,648
Member contributions	0	477	0	457
Past service cost (gain)	0	15	0	123
Remeasurements (liabilities)	79	5,552	0	7,015
Benefits/transfers paid	(82)	(2,181)	(86)	(2,042)
Administration expenses	0	14	0	14
Benefit obligation as at 31 March	1,354	71,819	1,357	63,356

NOTES TO THE *Core Financial Statements*

40. Pensions and Retirement Benefits (continued)

Local Government Pension Scheme Assets comprised:

Local Government Pension Scheme Assets

Asset Category	31st March 2014 £'000	31st March 2013 £'000
Cash & Cash Equivalents	954	897
Equity Instruments		
Other	1,544	1,452
Bonds		
Government	520	489
Other	3,005	2,826
Property		
UK Property	3,929	3,695
Private Equity		
All	1,649	1,551
Other Investment Funds		
Equities	21,191	19,928
Bonds	2,766	2,601
Hedge Funds	1,436	1,351
Commodities	1,904	1,791
Infrastructure	954	896
Other	2,179	2,049
Derivatives	0	0
Total	42,031	39,526

Scheme History

	31st March 2014 £'000	31st March 2013 £'000	31st March 2012 £'000	31st March 2011 £'000	31st March 2010 £'000	31st March 2009 £'000
Present Value of Scheme Liabilities	(73,173)	(64,713)	(55,299)	(49,562)	(63,734)	(39,336)
Fair Value of Scheme Assets	42,031	39,526	34,779	34,690	37,342	26,932
Net (Liability)/ Asset	(31,142)	(25,187)	(20,520)	(14,872)	(26,392)	(12,404)

40. Pensions and Retirement Benefits (continued)

Basis for Estimating Assets and Liabilities

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

Assumptions as at :	31st March 2014 Per Annum	31st March 2013 Per Annum
Price Increases	2.8%	2.8%
Rate of Increase in Salaries	4.6%	5.1%
Rate for Discounting Scheme Liabilities	4.3%	4.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In 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 period.

Changes in assumptions at 31 March 2014	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10	7,134
1 year increase in member life expectancy	3	2,195
0.5% increase in the Salary Increase Rate	3	2,296
0.5% increase in the Pension Increase Rate	6	4,730

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 triennial actuarial valuation. A full valuation was carried as at 31st March 2013. A roll forward valuation is performed by the actuary in the years between full valuations.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 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.

41. Financial Instruments

Financial Instruments Balances

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

	Long-Term		Current	
	31st March 2014 £'000	31st March 2013 £'000	31st March 2014 £'000	31st March 2013 £'000
Financial liabilities *	72,909	71,889	4,009	4,760
Finance lease liabilities	9,029	1,359	358	404
Financial Assets*	189	212	4,691	4,012
Soft loans provided (included in financial assets above)**	53	61	24	30

* - 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 effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

** - The Council has made loans to voluntary organisations and to staff under the Assisted Car Purchase Scheme at less than market rates (soft loans). In addition loans have been made to the Hinckley Museum and Atkins Cafe to cover repairs to the property and equipment. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

NOTES TO THE Core Financial Statements

41. Financial Instruments (continued)

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

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:

2013/14

	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest expense	2,794	0	2,794
Interest Income	0	(68)	(68)
Net (gain)/loss for the year	2,794	(68)	2,726

2012/13

	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest expense	2,333	0	2,333
Interest income	0	(38)	(38)
Net loss/(gain) for the year	2,333	(38)	2,295

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

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

NOTES TO THE Core Financial Statements

41. Financial Instruments (continued)

The fair values calculated are as follows:

	31st March 2014		31st March 2013	
	Carrying amount £'000	Fair value £'000	Carrying amount	Fair value
PWLB debt	70,952	72,417	70,952	78,120
Long term payables	944	944	875	875
Total Liabilities	71,896	73,361	71,827	78,995

The fair value of PWLB debt 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.

	31st March 2014		31st March 2013	
	Carrying amount £'000	Fair value £'000	Carrying amount	Fair value
Money market loans	0	0	0	0
Long term Receivables	189	189	127	232
Total Assets	189	189	127	232

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.

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 requiring 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.

41. Financial Instruments (continued)

Overall procedures for managing risk

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

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

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

The annual Treasury Management Strategy which incorporates the Prudential Indicators was approved by Council on 20th February 2014 and is available on the Council website. The key points within the Strategy were:

- The Authorised Limit for 2013/14 was set at £94.878 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £85.478 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 £16million and £4million based on the Council's net debt.

These policies are implemented by the Chief Financial 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.

41. Financial Instruments (continued)

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, Support 3 and Individual C (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 irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2014 that this was likely to crystallise.

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

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

	General Receivables 31st March 2014 £'000	General Receivables 31st March 2013 £'000
<30 days	1,609	794
30-59 days	190	80
60-89 days	40	156
90-119 days	68	15
>120 days	379	350
Total	2,286	1,395

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

NOTES TO THE *Core Financial Statements*

41. Financial Instruments (continued)

Liquidity risk

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

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

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

	31st March 2014 £'000	31st March 2013 £'000
Less than 1 year	0	0
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
More than 3 years	0	0
Total	0	0

All Council deposits in money market accounts at 31st March 2014 were being held for a period of less than 3 months and therefore have been classified as cash and cash equivalents in line with the Code.

Refinancing and Maturity risk

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

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

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

NOTES TO THE Core Financial Statements

41. Financial Instruments (continued)

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

	Approved minimum limits	Approved maximum limits	Actual 31st March 2014 £'000	Actual 31st March 2013 £'000
Less than 1 year	0%	100%	0	0
Between 1 and 2 years	0%	100%	0	0
Between 2 and 5 years	0%	100%	0	0
Between 5 and 10 years	0%	100%	14,707	11,766
More than 10 years	0%	100%	56,245	59,186
Total	0%	100%	70,952	70,952

Market risk

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

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

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

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

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher or lower (with all other variables held constant) the financial effect would be nil as all the Council's borrowing and investments are fixed rate.

42. Contingent Liabilities

Land Charges

The Council is aware of litigation currently taking place regarding charges for personal local property searches. If the case goes against Local Authorities the Council will have to refund charges made for such searches. At the time the Statement of Accounts were being prepared the outcome of the case and resultant liability was not known, however, the value of applicable claims at present is £255,609.

Planning Appeals

As at 31st March 2014, two planning appeals resulting from Planning Committee decisions were awaiting judicial review/legal hearing. The potential award of costs for these cases, if upheld is estimated at £65,000.

Resident Complaint

The Council is currently considering a formal complaint from a resident relating to Environmental Health standards. At the time that the Statement of Accounts were being prepared, no decision had been reached on any financial compensation that will be made should the complaint be upheld.

Business Rates

It is likely that appeals will be lodged in 2014/2015 against valuations made in 2013/2014. It is not possible to quantify the potential liabilities arising from these cases.

43. Revenues and Benefits Partnership

The Council has entered into a partnership with North West Leicestershire and Harborough District Councils to provide shared administration of revenues and benefits. The partners have an agreement in place for funding these services which runs for 5 years from 6 April 2011. The Partnership is currently hosted by Hinckley and Bosworth Borough Council on behalf of the other partners.

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by Hinckley and Bosworth Borough Council in 2013/14 was £1.420 million (2012/13 £1.346 million).

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

ADDITIONAL *financial* STATEMENTS

THE *Housing Revenue* Statement

THE *Collection Fund*

ADDITIONAL *financial* STATEMENTS

Housing Revenue Account 2013/14

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 2013/14

2012/13 £'000	<u>HRA INCOME and EXPENDITURE STATEMENT</u>	Notes	2013/14 £'000
	INCOME		
(11,537)	Dwelling Rents	5	(12,182)
(75)	Non Dwelling Rents	5	(76)
(225)	Charges for Services and Facilities		(229)
(534)	Contributions towards Expenditure		(596)
(12,371)	Total Income		(13,083)
	EXPENDITURE		
2,250	Repairs and Maintenance		1,958
2,381	Supervision and Management		2,568
261	Rents, Rates, Taxes, Other Charges		250
6	Negative Housing Revenue Account Subsidy Payable	10	0
2,943	Depreciation and Impairment of Non-Current Assets	9	2,999
(888)	Gain on Revaluation		(3,170)
4	Debt Management Costs		4
53	Increase in Bad Debt Provision / Write Offs	6	63
7,010	Total Expenditure		4,672
(5,361)	Net Cost/(Surplus) of HRA Services per Authority Income and Expenditure Statement		(8,411)
2,066	Interest Payable		2,104
(11)	Interest and Investment Income		(17)
(247)	Surplus on disposal of Non Current Assets		(400)
(3,553)	Deficit/(Surplus) for the Year on HRA Services		(6,724)
	<u>Items included in HRA I&E but excluded from Movement on the HRA Balance</u>		
(201)	Net charges made for retirement benefits in accordance with IAS 19	11	(251)
247	Surplus on Sale of fixed Assets		400
0	Revenue Expenditure Funded from Capital under Statute	8	(17)
	<u>Items not included in HRA I&E but included from Movement on the HRA Balance</u>		
888	Gain on Revaluation		3,170
(826)	Transfer from Major Repairs Reserve	7	(873)
0	Depreciation of Non-Current Assets		(11)
(101)	Transfers to/(from) Housing Repairs Account	1	241
215	Employer's Contributions to the Leicestershire County Council pension scheme & retirement benefits	11	230
3,124	Contribution from Reserves		4,551
16	Contribution to Pensions Reserve - Capital Cost of Early Retirement		16
(1)	Movements regarding employee benefits accruals		3
3,361			7,459
(192)	(Surplus)/Deficit for the Year		735
(1,699)	Balance Brought Forward 1st April		(1,891)
(1,891)	Balance Carried Forward 31st March		(1,156)

ADDITIONAL *financial* STATEMENTS

Collection Fund 2013/14

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.

2012/13 £'000		Notes	2013/14 £'000	2013/14 £'000
INCOME				
48,825	Income from Council Tax			50,515
	Transfer from General Fund			
5,745	Council Tax Benefits *			0
28,237	Income from Business Ratepayers			27,486
82,807	Total Income			78,001
EXPENDITURE				
54,335	Precepts and Demands from County, District, Fire and Police Authorities	15		49,770
	Business Rate			
27,736	Payment to National Pool		0	
0	Payments under Business Rates Retention		27,364	
123	Costs of Collection		123	27,487
27,859				77,257
	Bad and Doubtful debts/appeals			
448	– Write Offs		230	
94	Provisions		110	
542				340
	Contributions			
	Distribution of Previous Year's			
197	Estimated Balance			19
82,933	Total Expenditure			77,616
(126)	Movement on Fund Balance			386
60	Opening Fund Balance 1st April			(66)
(66)	Closing Fund Balance 31st March			320

* In accordance with the associated regulations, Council Tax Benefits ceased in 2013/14 following the introduction of Local Council Tax Support.

ADDITIONAL *financial* STATEMENTS

Notes to the Additional Financial Statements

1. Housing Repairs Account

2012/13 £'000		Note	2013/14 £'000	2013/14 £'000
INCOME				
(2,400)	Contribution from HRA			(3,032)
3	Interest on cash balances			(2)
(2)	Miscellaneous Income			(3)
(2,399)	Total Income			(3,037)
EXPENDITURE				
Administration				
320	Employee costs		219	
7	Transport related costs		4	
151	Supplies and services costs		103	
267	Central support costs		248	
745				574
438	Programmed repairs			488
1,095	Responsive repairs			942
2,278	Total Expenditure			2,004
(121)	Net Cost of Service			(1,033)
2	IAS 19 Pension Adjustment			(3)
0	Accumulated Absences Adjustment			(1)
0	Contribution to reserves			246
220	Revenue Contributions to Capital	8		550
101	Deficit/(Surplus) for the year			(241)
130	Additional contribution to fund capital expenditure			0
(473)	Balance brought forward 1st April			(242)
(242)	Balance carried forward 31st March			(483)

2. Movement in Dwelling Stock

The Council was responsible for managing a housing stock of 3,385 dwellings at 31st March 2014. During the year the following movement took place:

	2013/14 Number	2012/13 Number
Sales (Right to Buy)	(26)	(13)
Additions	0	0
Total Movement	(26)	(13)

ADDITIONAL *financial* STATEMENTS

3. Property Types in Dwelling Stock

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

TYPE	2014 Number	2013 Number
1 bedroom bungalows	271	271
1 bedroom houses	2	2
1 bedroom flats	590	594
2 bedroom bungalows	420	421
2 bedroom houses	302	309
2 bedroom flats	423	423
3 bedroom bungalows	10	10
3 bedroom houses	1,320	1,334
3 bedroom flats	1	1
4 bedroom bungalows	1	1
4 bedroom houses	17	17
5 bedroom houses	3	3
Total Dwellings	3,360	3,386

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

	2013/14 £'000	2012/13 £'000
Dwellings	107,889	105,576
Other Land and Buildings	364	364
Operational Assets	108,253	105,940
Investment Land/Properties	328	467
Total Assets	108,581	106,407

The vacant possession value of dwellings within the Council's HRA as at 31st March 2014 was £293.033 million (£285.862million 31st March 2013). 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: -

	2013/14 £'000	2012/13 £'000
Collectable from Tenants	(5,409)	(4,961)
Rent Rebates	(6,773)	(6,576)
Dwelling Rents	(12,182)	(11,537)
Non-dwelling Rents (Shops etc.)	(76)	(75)
Total Rent	(12,258)	(11,612)

ADDITIONAL *financial* STATEMENTS

6. Rent Arrears

	2013/14	2012/13
	£'000	£'000
Rent Arrears	350	309
Bad Debt Provision	201	173
Bad Debts Written Off	35	24

7. Major Repairs Reserve

	2013/14	2012/13
	£'000	£'000
Balance at 1st April	(46)	0
Amounts transferred to Reserve during year	(2,989)	(2,879)
Amounts transferred from Reserve to HRA during year	873	762
Capital Expenditure	2,162	2,071
Balance at 31st March	0	(46)

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 £3.150 million (£2.785 million 2012/13) was incurred. Expenditure on Dwellings was £3.033 million (£2.728 million in 2012/13), expenditure funded from capital under statute £0.017 million and expenditure on Vehicles Plant and Equipment was £0.100 million (£0.057 million in 2012/13). The sources of funding are shown below:

	2013/14	2012/13
	£'000	£'000
Revenue Contributions to Capital	550	220
Other Contributions from Reserves	389	130
External Contributions	49	0
Borrowing	0	364
Major Repairs Reserve	2,162	2,071
Total financing	3,150	2,785

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

	2013/14	2012/13
	£'000	£'000
Right to Buy Dwellings	1,327	787
Council House Mortgage Repayments	2	2
Other Sales	0	0
Total capital receipts	1,329	789

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:-

	2013/14 £'000	2012/13 £'000
Depreciation		
Dwellings	2,978	2,867
Other Land and Buildings	10	12
Vehicles, Plant & Equipment	11	0
Total Depreciation – Operational	2,999	2,879
Impairment of Non Current Assets	0	0
Total Depreciation and Impairments	2,999	2,879

10. HRA Subsidy

A breakdown of the amount of HRA subsidy payable by the Council for the financial year is provided below.

	2013/14 £'000	2012/13 £'000
Management and maintenance	0	0
Major Repairs Allowance	0	0
Charges for capital	0	0
Guideline Rent Income	0	0
HRA Subsidy payable for year	0	0
Post audit subsidy adjustment relating to previous year	0	(6)
Total	0	(6)

11. 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; This amounted to £251,000 in 2013/14 (£201,000 in 2012/13).
2. Employer's contributions to the Leicestershire County Council pension fund and retirement benefits payable direct to pensioners. This amounted to £230,000 in 2013/14 (£215,000 in 2012/13).

ADDITIONAL *financial* STATEMENTS

12. Non-Domestic Rateable Value

	2014 £'000	2013 £'000
Value at 31st March	71,645	71,337

13. National Non-Domestic Rates Multiplier

	2013/14	2012/13
National Non-Domestic Rates multiplier	47.1p	45.8p
Small Business Multiplier	46.2p	45.0p

14. Council Tax Base

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

Band	2013/14	2012/13
A	3,481	4,496
B	8,591	10,013
C	7,827	8,381
D	6,026	6,217
E	4,245	4,342
F	2,605	2,619
G	1,476	1,499
H	101	104
Council Tax Base	34,352	37,671

15. Significant Precepting Authorities

	2013/14 £'000	2012/13 £'000
Leicestershire County Council	36,515	40,044
Leicestershire Police Authority	5,973	6,550
Leicester, Leicestershire and Rutland Combined Fire Authority	2,005	2,011
Hinckley and Bosworth Borough Council	5,277	5,730
Total	49,770	54,335

16. Fund Balances

The balance on the Fund is comprised as follows:

	31st March 2014 £'000	31st March 2013 £'000
A Deficit/(surplus) on Council Tax/ NNDR Collection.	320	(66)
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.		

Glossary of Terms

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

Glossary of Terms

Defined Benefits Scheme	A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investment of the scheme. The scheme may be funded or unfunded (including notionally funded).
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful life of Property, Plant and Equipment assets whether arising from use, passage of time or obsolescence through technology or other changes.
Discretionary Benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers such as the Local Government Discretionary Payments Regulations 2000.
Expected Rate of Return on Pensions Assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Fair 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 fair value of the leased asset.
Non Current Assets	Property, plant and equipment assets that yield benefits to the local Authority and the services it provides for a period of more than one year.
General Fund	The Council's main revenue account covering the net cost of all services other than Council housing.
Going Concern	The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and the Balance Sheet assume no intention to curtail significantly the scale of operations.
IEG	Implementation of electronic government.

Impairment	The reduction in the valuation of a Property, Plant and Equipment asset or goodwill below its Balance Sheet value and occurs when something adverse has happened to either the asset itself or to the economic environment in which the asset is operated.
Infrastructure Assets	Non Current Assets that are inalienable expenditure on which is recoverable only by continued use of assets created. Examples of infrastructure assets are Highways and Footpaths.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Inventories	<p>Comprise the following categories:-</p> <ul style="list-style-type: none"> i) goods or other assets purchased for resale; ii) consumable stores; iii) raw materials and components purchased for incorporation into products for sale; iv) products and services in intermediate stages of completion; v) contract balances; vi) finished goods.
Investments (Non Pensions Fund)	<p>A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should only be classed as such where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those in relation to pension's funds, which do not meet the above criteria, are classified as current assets.</p>
Investments (Pensions Fund)	The investments of the Pensions Fund will be accounted for in the Statements of the administering Authority, which is Leicestershire County Council. District Councils are required to disclose as part of the requirements relating to retirement benefits the attributable share of Pensions Scheme assets associated with their underlying obligations.

Glossary of Terms

Investment Properties	Interest in land and/or buildings:- a) in respect of which construction work and development has been completed; and b) which is held for its investment potential, any rental income being negotiated at arm's length.
Major Repairs Reserve	A reserve created to deal with major repairs to HRA properties financed from the Major Repairs Allowance
Minimum Revenue Provision (MRP)	Minimum Revenue Provision is the minimum amount the Council is required to provide for the repayment of long-term debt used to finance the acquisition of Non Current Assets.
National Non-Domestic Rates (NNDR)	National Non-Domestic Rates (Business Rates) represents the rate of taxation on business properties. Central Government has the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax.
Net Book Value	The amount at which Non Current Assets are included in the Balance Sheet i.e. their historic cost or current value less the cumulative amounts provided for depreciation.
Net Current Replacement Cost	The cost of replacing or recreating the particular asset in its existing condition and existing use i.e. the cost of its replacement or the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
Net Realisable value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses incurred in realising the asset.
Non-Distributed Costs	These are overheads for which no user benefits and therefore should not be apportioned to services.
Non-Operational Assets	Non Current Assets that are held by a Local Authority but not directly occupied, used or consumed in the delivery of services. Examples would be investment properties and assets surplus to requirements, pending sale or redevelopment.
Operating Leases	A lease other than a finance lease.
Operational Assets	Non Current Assets that are held and occupied used or consumed by the Local Authority in the direct delivery of services for which it has a statutory or discretionary responsibility.

Past Service Cost	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of or improvement to retirement benefits.
Post Balance Sheet Events	Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
Precept	A demand by one public body to another public body to collect revenue from a Council Tax payer.
Projected Unit Method	<p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:-</p> <ul style="list-style-type: none"> i) the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; <p>and</p> <ul style="list-style-type: none"> ii) The accrued benefits for members in service on the valuation date. The accrued benefits are benefits up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note 27 issued by the Faculty and Institute of Actuaries.
Prudence	The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.
Reserve	Monies set aside for a scheme or event that may happen.
Retirement Benefits	<p>All forms of consideration given by an employer in exchange for services rendered by an employee that are payable after the completion of employment. Retirement benefits do not include termination payments payable as a result of either;</p> <ul style="list-style-type: none"> i) An employer's decision to terminate an employee's employment before normal retirement date <p>Or</p> <ul style="list-style-type: none"> ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Glossary of Terms

Revenue expenditure	Any expenditure that is of a recurring nature and does not result in the creation of an asset that is of benefit to the organisation beyond the end of the current accounting period.
Scheme Liabilities	The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.
Settlement	<p>An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include.</p> <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	<p>In relation to a defined benefits pension scheme, these 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>

The Annual Governance Statement

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 and to ensure economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for ensuring that there is a sound system of corporate governance which facilitates the effective exercise of the Council's functions and which includes 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*. A copy of the Constitution can be found on the Council's website at *Services>Council & Democracy>Councillors, democracy and elections*. 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 (11th edition) took place in December 2013.

This Annual Governance Statement (the Statement) explains how the Council has complied with the Constitution and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011. 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

OVERALL SUMMARY

This is a positive Statement for the financial year 2013/2014. No significant control weaknesses have been identified in year and those issues identified in 2012/2013 have been fully addressed and rectified. The Council continues to operate a robust governance framework which 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 2014 and up to the date of the approval of the Statement of Accounts

THE PURPOSE OF THE SYSTEM OF CORPORATE GOVERNANCE

Corporate governance refers to the system by which an organisation is directed and controlled. The governance structure specifies the distribution of rights and responsibilities among stakeholders and specifies the rules and procedures for making decisions. Governance provides the structure through which organisations

Annual Governance Statement

set and pursue their objectives, and reflects the mechanism for monitoring actions, policies and decisions and delivering appropriate, cost-effective services.

The systems of corporate governance are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of corporate governance is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood and impact of these risks, and to manage them efficiently, effectively and economically.

THE PURPOSE OF THE INTERNAL CONTROL ENVIRONMENT

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
- Monitoring¹

CIPFA GUIDANCE ON GOOD GOVERNANCE

CIPFA's "*Delivering Good Governance in Local Government: Guidance Note for English Authorities*" outlines the principles of good governance. The addendum to this paper published in December 2012 ² outlines these principles as:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the authority's vision and its implications for the authority's governance arrangements
- Translating the vision into objectives for the authority and its partnerships
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements
- Developing, communicating and embedding codes of conduct, defining the standards of behaviours for members and staff
- Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- Ensuring effective management of change and transformation

¹ Internal Control — Integrated Framework (1992) COSO

² Delivering Good Governance in Local Government: Framework – Addendum (2012) CIPFA

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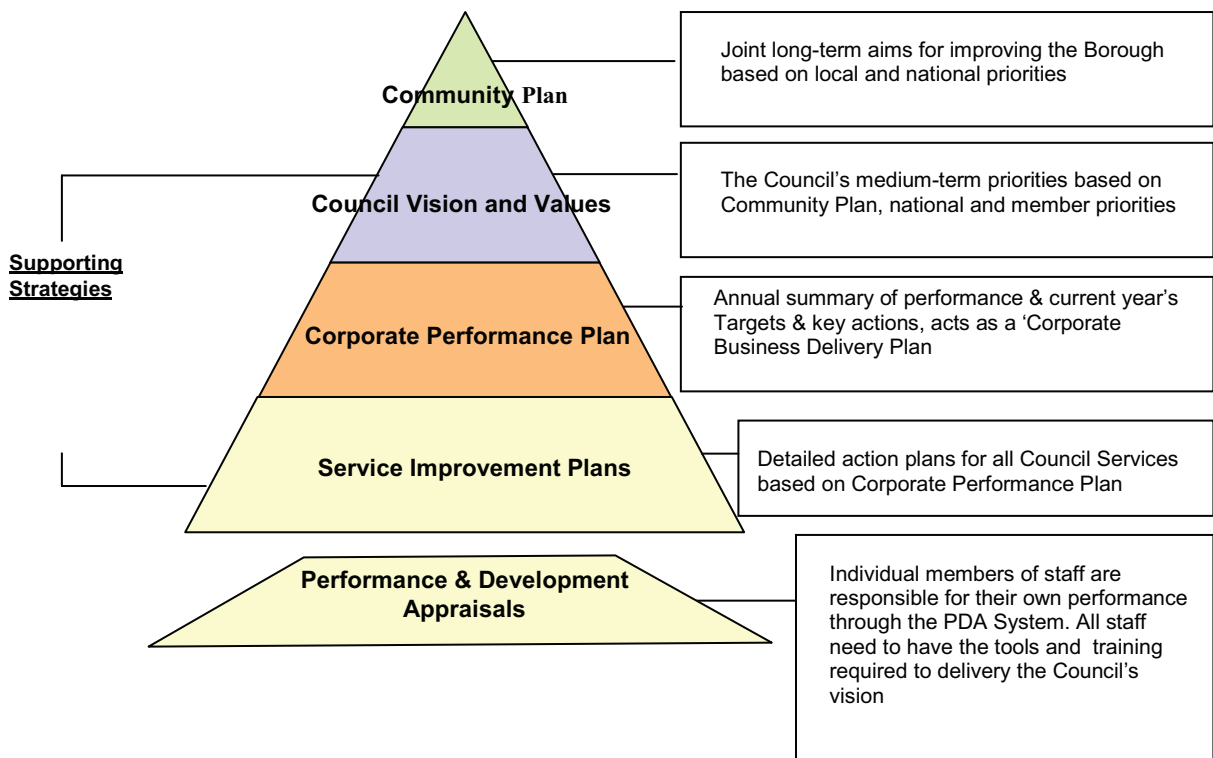
- Ensuring the authority's financial management arrangements confirm with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function
- Ensuring effective arrangements are in place for the discharge of the head of paid service function
- Undertaking the core functions of an audit committee as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistleblowing and for receiving and investigating complaints from the public
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Enhancing the accountability for service delivery and effectiveness of other public service providers
- Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

The key elements of the Council's internal control environment and governance framework are outlined below.

- The Council's Corporate Plan developed for the period 2013-2016 sets out the long-term aims of the Council and drives the corporate Performance Plan and Medium Term Financial Strategy. The Corporate Plan provides residents, members and staff with a clear vision to make Hinckley and Bosworth a 'Borough to be Proud Of'. The plan outlines four corporate aims and six corporate values which guide all decisions made by the Council and help to focus priorities.
- The Council uses plans and strategies at various levels to plan and monitor the achievement of its aims and objectives. This system is demonstrated by the Corporate Planning Framework which is represented by the diagram 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. Performance reports are produced quarterly and reported to the Joint Management Boards and Finance Audit and Performance Committee. All officers are required to reflect their departmental SIPs in individual personal development plans and are assessed against these annually.

Hinckley & Bosworth Borough Council – Corporate Planning Framework



- The Council's financial strategy, aims and objectives are outlined in the Medium Term Financial Strategy 2013/14-2016/17 which was approved by full Council in May 2014. The document outlines ten financial objectives which the Council looks to achieve whilst managing current financial risks. Alongside this, the Council has put 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 and Asset Management Plan cover 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 organisations 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 member forums which indicate actual expenditure against forecast

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- 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
- Inclusion of financial implications in all committee reports.
- The Council's budgetary control system is reviewed each year by Internal Audit and in 2013/14 received a "full assurance" rating based on achievement of the following control objectives:
 - The Council prepares a Medium Term Financial Strategy (MTFS) which is designed to deliver strategic priorities and contains robust key assumptions.
 - Budgets are set in a structured, comprehensive and robust manner in accordance with the organisation's plans and objectives and the MTFS.
 - Any changes to the start point budget are appropriately authorised, recorded and reported (including virements)
 - Responsibility for controlling budgets is delegated to trained and clearly defined budget holders who receive appropriate support from the finance department.
 - Accurate and complete financial information is produced in a timely manner to budget holders and committees for inspection, analysis and control of budget performance.
 - Budget variations are analysed, investigated, explained and acted upon.
 - Regular and robust forecasts are undertaken to project outturn against budget.
 - Any savings plans established to ensure a balanced budget are robust, and are reported upon and monitored at relevant committee and council level
- 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 Finance, Audit and Performance 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 2013 Edition*. Dedicated training was provided to this Committee in May 2014 to outline the content of this guidance and to review the effectiveness of the Committee as "those charged with governance".
- 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
 - ICT Strategy and Web Strategy
 - Medium Term Financial Strategy
 - Health and Safety Policy
 - Risk Management Strategy

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- Procurement Strategy
 - Communication and Consultation Strategy
 - Data Quality Policy
 - Corporate Debt Recovery Strategy
- The Council’s strategic documents outline how specific services will be provided to the Borough in the medium to long term. These strategies include the Environmental Management Strategy, Anti Poverty Strategy, Cultural Strategy, Green Space Strategy, Hinckley Town Centre Master Plan, Local Development Framework, Children and Vulnerable Adults Safeguarding Policy, Housing Investment Strategy and Business Case and Strategy for Children and Young People.
 - 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 standards of behaviour expected from members and officers are set out in member/officer codes of conduct. 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 monitors the performance of members, senior officers and the Council’s committees.
 - The Financial Procedure Rules, Whistleblowing Policy and Corporate Anti-Fraud Policy set the rules and standards within which Council business is conducted and provide the mechanisms for dealing with any potential fraud and corruption. The Corporate Anti-Fraud Policy was reviewed by the Council’s External Auditors (PricewaterhouseCoopersLLP) in 2013/2014 and has been updated to reflect the outcomes of an officer risk assessment and The Audit Commissions’ publication “Protecting the Public Purse” (2013)
 - The Constitution (Article 10) includes provisions for the governance of partnerships involving the Council. A separate constitution or terms of reference is in place for all partnerships which outlines their respective roles and responsibilities. Quarterly dashboards are produced to plot how partnerships are helping the Council achieve its strategic objectives. Significant partnerships that the Council is involved with are detailed below:

Partnership	Purpose	Partners involved
Think Family Partnership	<ul style="list-style-type: none"> ▪ Oversee delivery of Supporting Leicestershire Families (SLF) programme. ▪ Improve outcomes for 	CYPS; Adult Services; Libraries; Youth Services; Police; Probation; Voluntary and Community Sector (VCS);

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Partnership	Purpose	Partners involved
	<p>Children and Young People.</p> <ul style="list-style-type: none"> Oversee delivery of Sure Start programme. 	Parents/carers; Health Services; Education and Hinckley and Bosworth Borough Council (HBBC)
Health and Wellbeing Partnership	Deliver the Health and Wellbeing Strategy	Clinical Commission Groups (CCG's); GP's; VCS; Public Health; HBBC; Local Sport & Health Alliance.
Hinckley and Bosworth & Blaby Community Safety Partnership	To oversee and deliver the Community Safety Strategy.	Police; Probation; Leicestershire County Council (LCC); Blaby District Council; HBBC; Health; VCS; Fire.
Endeavour Tactical Group	To ensure emerging risk and threat is addressed in a timely manner. To co-ordinate campaigns and projects.	HBBC services, Police, Trading Standards, Fire Service, County Community Safety, Youth Service.
Housing Services Partnership	Developing integrated housing services.	Districts, Adult Services, Children's Services, Registered Provider's, County Community Safety, Citizen Advice Bureau (CAB)
Housing Offer for Health Project Board	To ensure development and delivery of Housing's offer for health.	District Councils, Adult Services, CCG's, First contact, Papworth Trust.
Cross Border Employment and Skills Partnership	To co-ordinate the delivery of cross border local economic and employment initiatives in accordance with LEP priorities.	HBBC; Nuneatonj and Bedworth Borough Council; North Warwickshire Borough Council; North Warwickshire and Hinckley College; Recruitment agencies;; key local employers.
Hinckley & Bosworth Voluntary and Community Sector (VCS) Forum and Commissioning Board	<ul style="list-style-type: none"> To oversee and lead the establishment, development and sustainability of front line VCS service delivery organisations, and brokering of effective joint working between VCS and the public sector. To oversee and develop VCS commissioning, via VCS Commissioning Board. 	Lead Partners: HBBC; Next Generation and Community Action Hinckley & Bosworth; plus 30 key/leading VCS organisations within the locality.

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Partnership	Purpose	Partners involved
Hinckley Town Centre Partnership	To deliver the Hinckley Town Centre Business Improvement District (BID).	HBBC; LCC; Local retailers; Police.
Leicestershire Waste Partnership	<ul style="list-style-type: none"> ▪ To reduce CO2. ▪ To reduce waste going to landfill by increasing recycling rates and residual weight reduction. ▪ Keep neighbourhoods clean. ▪ Co-ordinating waste and street cleaning services across county. 	All Districts, LCC
Hinckley & Bosworth Tourism Partnership	To deliver blueprint for action to promote visitor numbers and spend in the Borough.	HBBC; Leicestershire Promotions; LCC; Concordia Theatre; Hinckley Museum; Local accommodation providers; Twycross Zoo; Mallory Park.
LLRLRF	Emergency management.	All Cat 1 responders plus voluntary services e.g. Red Cross.

- 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, through the use of workforce development reviews, assesses and provides 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 and a process of 360 degree feedback has been introduced to widen the feedback process. 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, Disabled Person's Forum, Parish Council Forum, Together for Tenants, Youth for You, Older Peoples Forum, Developer Forum and Registered Social Landlord Forum. A number of public consultations have taken place in 2013/2014 on pertinent issues including community safety, green spaces delivery, housing allocations and various conservation areas. The Council communicates to residents through the Borough Bulletin which is circulated to all residents each quarter. Regular staff communication is achieved through Chief Executives' briefing notes and staff feedback sessions.
- The Council's dedication to quality of service is embedded through relevant strategies and also in the Council's Customer Service Charter. The Council

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collates customer satisfaction results for face to face, telephone and website interaction. Targets were exceeded in 2013/2014.

- 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 reports are presented to Strategic Leadership Board, 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
 - Data Quality Checks
- All information produced by the Council is subject to data quality procedures. The Council's Data Quality Policy outlines how standards of data quality are maintained by the Council and respective responsibilities. Through implementation of this Policy, the Council is compliant with all relevant legislation including the Data Protection Act and Freedom of Information.
- The Council is committed to continuous improvement. This was proved by the fact that in 2008/09 the Council sought a Comprehensive Performance Assessment (CPA) re-assessment and was re-categorised as an "excellent" Authority. This was a recognition of all the work that had been undertaken since 2004 to implement and embed the improvement actions identified in the 2004 inspection. The Council continues to win awards which evidence high performance. In 2013/2014 these included:
 - Highly Commended in Municipal Journal Awards "Innovation in Finance" Category
 - Four Star rating for "Better Connected". The Council's website has been named in one of the top 20 for local authorities in the county
 - Gold Footprint award for dog warden surveys
 - Green Flag Award for Green Spaces;
- The Council's performance management regime is supported by risk management processes. The Risk Management Strategy outlines how best practice risk management processes are embedded into the Council's operations. Operational risk registers are maintained on the TEN system and all managers are required to assess the impact and likelihood of risks as well as mitigating controls and action plans to reduce their severity. Quarterly reports on the risk position are taken to Finance, Audit and Performance Committee and Executive. Risk registers are also in place for significant projects, examples being the Leisure Centre and Crescent developments and the office relocation.

REVIEW OF EFFECTIVENESS 2013/2014

The Council has responsibility for conducting a review of the effectiveness of the system of internal control annually. This review is reported by internal audit in their Annual Report, Chief Officers through their service assurance returns and also by

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comments made by the external auditors and other review agencies and inspectorates.

Internal Audit

Internal audit is provided in accordance with the statutory responsibility under s151 of the Local Government Act 1972, the Accounts and Audit Regulations 2011 and to the professional standards of the CIPFA Code of Practice for Internal Audit in Local Government.

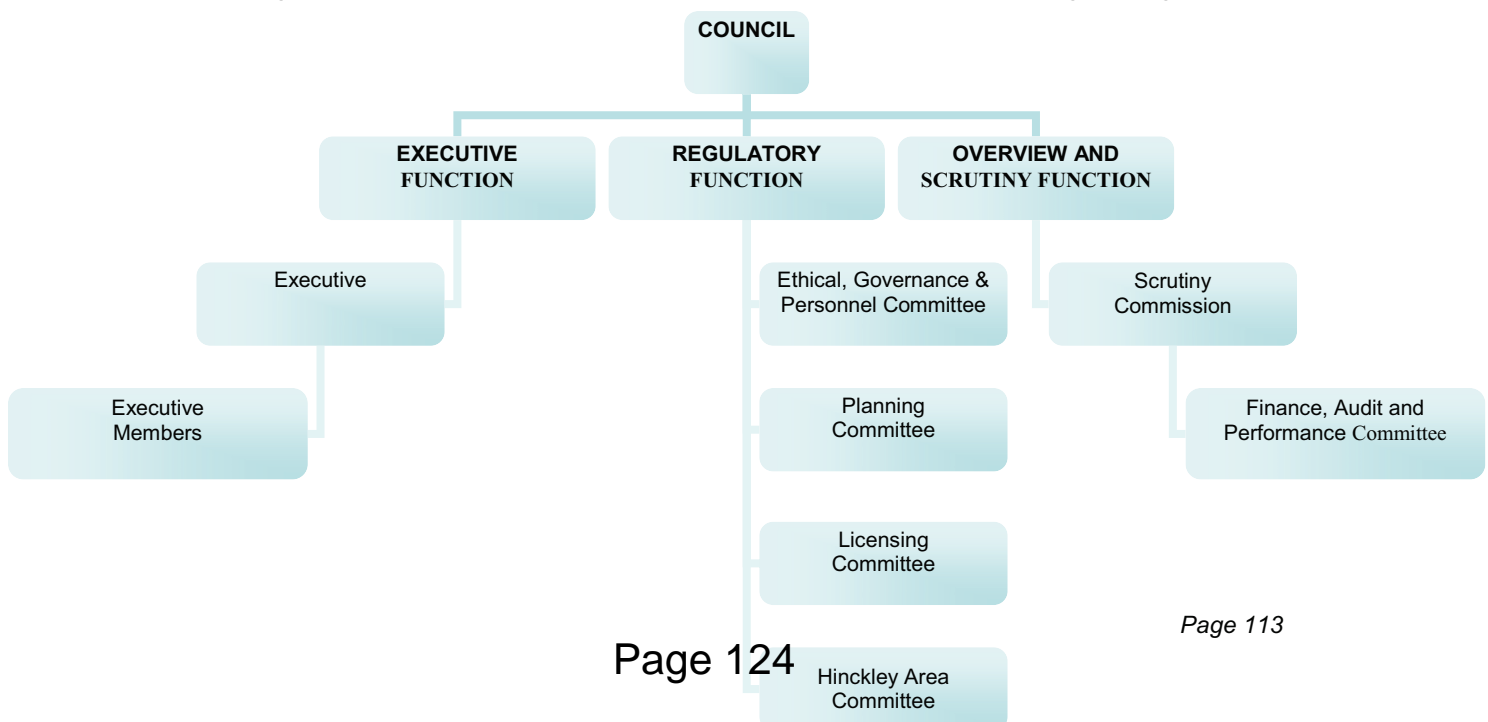
The Council's internal audit service has been outsourced to Coventry and Warwickshire Audit Services (CW Audit) for 2013/14. Internal audit delivers its work in accordance with best practice and complies with the requirements of the Government Internal Audit Standards, CIPFA Code and other relevant Consultative Committee of Accountancy Bodies (CCAB) standards. CW Audit report through the section 151 officer as the responsible financial officer for the Council. The section 151 officer then submits reports to the Finance, Audit and Performance Committee, which in turn derives its terms of reference from the Scrutiny Commission. Audit recommendations are followed up in a timely manner based upon the priority of the recommendation through the use of the "TeamCentral" recommendation tracking software.

CW Audit acting as Chief Internal Auditor and in accordance with the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* provide an annual assurance opinion which comments on the adequacy and effectiveness of the system of internal control. In their 2013/14 Annual Audit Report presented to Finance Audit and Performance Committee on 12th May 2014, CW Audit issued a "significant assurance" rating for the Council's internal control and identified no significant control weaknesses.

The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Annual Audit Letter is considered formally by the Finance, Audit and Performance Committee.

Council Structure

The diagram below sets out the Council's democratic decision making arrangements



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The Constitution sets out the essential elements of the scrutiny processes that are administered by the Scrutiny Commission and the Finance, Audit and Performance 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, Audit and Performance Committee. The Scrutiny arm also has a role in policy development. In addition, task groups are established to oversee ad-hoc projects. Examples of areas reviewed by the Scrutiny Commission in year include:

- Welfare reform and the impact on residents
- Green Space Delivery Plan
- Planning and enforcement decisions
- Leisure centre procurement
- Annual Budget
- Anti – Poverty Strategy
- Gypsy and traveller accommodation
- Medium Term Financial Strategy

The Scrutiny Commission publishes an Annual Report and a work programme. In accordance with Executive arrangements regulations (meetings and access to information) the council publishes on its website key and private decisions which are due to be taken by the Executive with a 28 day notice period where possible.

Chapter 7 of the Localism Act 2011 outlined that there is no longer a statutory requirement to have a Standards Committee, however each Councils 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.

Officers

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.

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.

2013/2014 Significant Control Weaknesses

No significant control weaknesses have been identified for reporting in 2013/2014. This has been confirmed by the Council's Internal Auditors in their year end opinion.

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2012/2013 Significant Control Weaknesses

During 2012/13, it was noted by the finance team that the budgets for both programmed and responsive repairs were considerably under-spent. Following preliminary investigation, it was established that the main reason for this under-spend was due to a backlog of "work in progress" held within Orchard (housing repairs system). This related to jobs that are in the various stages of completion but were yet to be closed off for payment on Civica (financial management system). To understand the reasons for the backlog, Internal Audit were asked to complete a specific review based on sample testing of the backlog, plus a sample of paid contractor invoices. A number of control weaknesses were identified through this work which have been raised in Internal Audit's Annual Audit Report for 2012/2013. The impact of the backlog meant that a large cost relating to previous years work was transferred in 2013/2014, creating a gross overspend on housing repairs (capital) of £290,102.

In response to this issue, a dedicated internal review of housing repairs controls and processes was conducted, lead by the Chief Officer for Finance, ICT, Asset Management, Audit and Procurement. A comprehensive action plan was developed which outlined improvements that were made to both operational and financial processes. In addition, a neighbouring Authority was commissioned to complete a high level peer assessment of the service to inform the action plan. Regular reports have been provided to the Finance, Audit and Performance Committee to provide assurance that actions have been put in place in line with timescales set. The value of the back log was transferred in full into the Civica system and accounted for within the 2012/2013 Statement of Accounts. In order to address any value for money issues associated with housing repairs operations, an independent benchmarking exercise was performed on the internal "schedule of rates" and an "uplift" will be applied to rates from 2014/2015 as approved by the Finance, Audit and Performance Committee.

.....
Steve Atkinson MA(Oxon) MBA FioD FRSA
Chief Executive

Date.....

.....
Stuart Bray
Leader of the Council

Date

Hinckley and Bosworth Borough Council

Report to those charged with governance

Report to the Finance, Audit and Performance Committee on the
audit for the year ended 31 March 2014 (*ISA (UK&I) 260*)

Government and
Public Sector
15 September 2014
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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2014; we have reviewed the plan and concluded that it remains appropriate.

Audit Summary

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts by 30 September 2014.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- review of the revised Statement of Accounts;
- approval of the Statement of Accounts and letters of representation after approval by the Council;
- completion procedures including subsequent events review.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We look forward to discussing our report with you on the 15 September 2014. Attending the meeting from PwC will be Alison Breadon.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2014.

We have summarised below the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	Categorisation	Audit approach	Results of work performed
<p data-bbox="609 555 869 608">Management override of controls</p> <p data-bbox="609 675 887 1015">ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p data-bbox="965 555 1093 580">Significant</p> <p data-bbox="965 592 994 612">●</p>	<p data-bbox="1189 555 1697 660">We considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p data-bbox="1189 675 1514 700">We performed procedures to:</p> <ul data-bbox="1189 711 1711 1114" style="list-style-type: none"> -review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; - test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported year-end position; - review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable; - evaluate the business rationale underlying significant transactions outside the normal course of business; and <p data-bbox="1189 1125 1630 1176">We performed unpredictable procedures targeted on fraud risks.</p>	<p data-bbox="1733 555 2096 635">No instances of management override of controls were identified as a result of our work.</p>

Risk	Categorisation	Audit approach	Results of work performed
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government because the opportunities to perpetrate fraud, which the ISA considers are usually present in relation to revenue, are equally likely to present themselves through manipulation of expenditure in the public sector.</p>	<p>Significant</p> <p>●</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> we understood, evaluated and tested key income and expenditure controls; we evaluated the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting; we tested the appropriateness of journal entries and other adjustments; we reviewed accounting estimates for income and expenditure, for example, provisions; we performed cut-off tests at year-end and after date cash testing to ensure items have been recorded in the appropriate period; and we performed unrecorded liabilities testing. 	<p>One misstatement below our de minimis reporting threshold was identified as part of these procedures. The nature of the misstatement was investigated and found to be an isolated error and not fraudulent in nature.</p> <p>No other misstatements were noted as a result of these procedures.</p>

Intelligent scoping

In our audit plan presented to you in March 2014 we reported our planned overall materiality which we used in planning the overall audit strategy. Our materiality was updated on receipt of the draft accounts but this did not impact on our audit approach. Our revised materiality levels were as follows:

	£
Overall materiality	887,140
Clearly trivial reporting de minimis	25,000

Overall materiality was set at 2% of gross expenditure (net cost of services) for the year ended 31 March 2014.

Auditing standards require that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Finance, Audit and Performance Committee at its meeting in March 2014.

Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the outstanding matters set out on page 1.




Once these matters are satisfactorily completed, we expect to issue an unqualified audit opinion.





As part of our work on the Statement of Accounts we have also examined the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

Audit scorecard

The scorecard below summarises our view of your accounts and audit performance.

Key

-  **Red** – significant improvements required
-  **Amber** – some improvements required
-  **Green** – no or some minor improvements required

	2012/ 2013	2013/ 2014	Comments
Quality of accounts and working papers			The Council prepared its accounts on a timely basis and a first draft of the accounts was available at the start of the audit. Our audit identified no significant issues with respect to the quality of the draft accounts presented for audit. One minor area for improvement noted was the incorporation of the changes to the pension's accounting standard. Working papers were available for audit on time and were of a good standard.
Readiness for start of audit and availability and responsiveness of staff			Key staff were available during the audit to address any audit queries and the Finance Team responded positively to any audit questions and requests for information.

Significant audit and accounting issues



Our audit identified no significant issues. A small number of audit and accounting matters arose during our work. These are explained in detail later in this report.

Deficiencies in internal control systems



We have not identified any significant issues with respect to the effectiveness of the Council's internal controls this year.

Value for Money conclusion



Based upon the work that we have completed to date we expect to be able to conclude positively on the two criteria we are required to assess and give an unqualified conclusion on the Council's use of resources.

Accounting Issues

Pensions liability

One of the most significant estimates in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Local Government Pension Scheme. Your net pension liability at 31 March 2014 was £31.142 million (2013 - £25.187 million).

We utilised the work of our actuarial experts to assess the reasonableness of the assumptions underlying the pension

Hinckley and Bosworth Borough Council

liability, and we are comfortable that the assumptions are within an acceptable range.

We also validated the data supplied to the pension fund's actuary on which to base their calculations.

Changes to IAS 19: Employee Benefits

There have been changes to the disclosure and accounting for defined benefit schemes in 2013/14. We noted that these changes were not fully reflected in the Authority's draft financial statements but will be updated in the revised set of accounts.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. We are pleased to report that management have agreed to correct all misstatements identified.

There were two misstatements and one audit adjustment above our de minimis reporting threshold which have been corrected by management. One of the two misstatements related to an invoice that had been billed at an incorrect amount and subsequently corrected and the other an internal recharge that had been accounted for incorrectly. Both misstatements had no impact on the General Fund or Housing Revenue Account. The audit adjustment related to the estimate for the business rates appeals provision which is discussed in the *Judgments and accounting estimates* section below.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask

management to represent to us that the selection of, or changes in significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

Judgments and accounting estimates

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. In addition to the pension liability discussed above, the following significant judgements and accounting estimates were used in the preparation of the financial statements:

Business rates appeals provision

As a result of the changes to Business Rates regulations, the Authority is now required to make provisions for the cost of refunding ratepayers who successfully appeal against the rateable value of their property. A provision of £256,000 relating to 129 appeals was estimated as at 31 March 2014 and included in the draft accounts.

To arrive at this estimate, the Council purchased software called Analyse LOCAL (developed by Inform CPI Ltd) which has been used by a large number of local authorities to assist in the estimation of the likely outcome for each outstanding appeal as at the 31 March 2014. The software uses up to date outstanding appeals information from the Valuation Office Agency and based on the type of appeal, geographical location and other relevant factors produces an outcome analysis for each appeal.

Their analysis includes whether an appeal is likely to be withdrawn, when an appeal is likely to be settled and an estimate for the potential reduction in rateable value along with the corresponding liability.

Two key judgements were exercised by the Authority in determining its provision:

- 1) appeals that have been assessed by Analyse LOCAL as *likely to be withdrawn* have not been provided for, and
- 2) appeals that have been assessed by Analyse LOCAL as *likely to be settled after the 1 April 2015* have been considered as likely dismissals and have not been provided for.

If these two judgements were incorrect, this would result in an increase in the liability by £260,000. Although this is a significant amount, it would not result in a material misstatement.

We assessed the reasonableness of these judgements by analysing appeals history over the past 10 years as well as the outcome of appeals since the 31 March 2014. It was identified that just over 67% of all appeals lodged by business ratepayers in Hinckley and Bosworth were withdrawn or dismissed since 2005, indicating a high withdrawal/dismissal rate. In addition, of the 51 outstanding appeals at the 31 March 2014 assessed by Analyse LOCAL as *likely to be settled after the 1 April 2015*, 19 have since been withdrawn or dismissed (38%) compared to only 3 withdrawals out of 79 appeals (4%) assessed as *likely to be settled before the 1 April 2015*, indicating a higher rate of withdrawal among the former group of appeals. Based on this outcome analysis, the judgements taken by the Authority are considered reasonable.

We asked that the Authority keep under review the outcome of outstanding appeals as well as the impact of any new appeals lodged since the year end relating to business rates for 2013/14 as well as previous financial years. To take these changes into account, a new Analyse LOCAL report was run based on the most up to date Valuation Office Agency information (which runs up to the 30 June 2014).

This report generated a revised provision estimate of £170,000 (using the same judgements discussed above). In addition, 7 appeals have been settled since 31 March 2014 with a total liability of £45,000 giving a total revised provision of £215,000. Given this more up to date information, management have agreed to adjust the accounts

accordingly. This adjustment is not the correction of an error but an adjustment to take into account new information about the outcome of appeals since the draft accounts were prepared.

It is highly probable that further appeals will be lodged relating to previous financial periods. However, without an appeal actually being lodged, the Authority has taken the view that a reliable estimate cannot be determined without knowing the number and type of appeals. Instead, a contingent liability has been disclosed.

According to the provisions accounting standard, it is only in rare circumstances that a reliable estimate cannot be formed. This has led to ongoing discussions with CIPFA as to the expected approach which is yet to be concluded upon. We expect a decision to be reached shortly. We will report the outcome at the Finance, Audit and Performance Committee on the 15 September. This could mean that the Authority will be asked to remove the contingent liability disclosure and estimate a provision for appeals not yet lodged.

Valuation of property, plant and equipment (PPE)

In accordance with your accounting policies to ensure that the carrying value of property, plant and equipment reflects its fair value, your housing stock and other land and buildings are revalued on an annual basis as at the 31 March. This involves reliance on an external valuer who has estimated the value of the Authority's housing stock using beacon principles and other land and buildings in accordance with the CIPFA Code.

Judgements applied are in the main determined by the valuation expert. To assess these, we used information from Gerald Eve (chartered surveyors and property management consultants) who produce a report every year for the Audit Commission that includes trends in land prices and building cost indices in order to aide auditors in assessing the reasonableness of the assumptions used by valuation experts. We also tested that the base data used in the valuation was appropriate by vouching to supporting documentation.

We did not identify any matters to report arising from our work performed.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 1.

In addition to standard representations we will ask management to make specific representations on the business rates appeals provision, the use of the work of experts, the application of accounting policies to grant funding and the accounting for the Leicestershire Revenues and Benefits Partnership.

Related Parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We verified related party relationships and transactions disclosed to declaration of interest forms, and to the General Ledger. We also compared related parties disclosed on the Authority's website to a full list of suppliers for 2013/14, to verify there were no undisclosed related party transactions. Furthermore, completeness checks were carried out to ensure no undisclosed related parties existed.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

Relationships between PwC and the Authority

We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff in senior positions who had been directly involved in the external audit of the Authority being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm’s internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, PwC has also undertaken other work for the Authority during the 2013/14 financial year amounting to a total value of £9,800. Details of this work were set out in Appendix A of our Audit Plan presented to you in March 2014.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2014 is included on page 14. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

It is the Audit Commission's policy that engagement leaders at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission’s view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve engagement leaders for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor’s independence or objectivity. We confirm that we comply with the Audit Commission’s rules on rotation.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Executive, senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Finance, Audit and Performance Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements

to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. See the section *Targeted audit work* below (pages 9 to 11) for details on the results of work performed.

We have completed our work and we expect to issue an unqualified value for money conclusion.

Targeted audit work

In our planning risk assessment we identified the following areas for detailed review:

Meeting the financial challenge

All local government organisations are faced with increased challenges in their medium term financial outlook, primarily driven by marked reductions in funding both directly from central government and indirectly through a reduction in income from the County.

The Authority has a proven track record in recent years of reliably forecasting the scale of financial challenges, identifying strategies to address the challenges, including identifying significant savings plans, and implementing them successfully.

In 2013/14 the Authority reported a net under spend against budget. This resulted from a combination of expenditure savings and additional income. The main elements were

salary savings, additional income from development control, and legal costs recovered from revenues and benefits recovery action.

The Authority's 2013/14 to 2016/17 Medium Term Financial Strategy (MTFS) approved in May 2014 seeks to build upon its track record of developing and delivering a financial plan to secure the Authority's continuing financial resilience.

Unlike previous years, however, when only the 'worst case' scenario resulted in Authority balances falling below what has been previously agreed as an acceptable level, from 2015/16 the 'forecast' scenario results in Authority balances falling below this acceptable level. This has resulted in a need to identify additional savings and income targets that could be implemented to secure the 'best case' scenario in 2015/16 into 2016/17.

These savings and targets were set out in the MTFS and more recently updated in the budget setting paper (to be formally approved by the Executive on 17 September 2014). In addition to the identified savings and income targets totalling £1,001,000, an additional savings target of £369,900 is required. This is an increase from the MTFS' additional savings target of £76,900 due to the Authority's recent decision to phase the removal of New Homes Bonus to Parish Councils and to carry on providing funding to Parish Councils for the impact on their Council Tax base from the Localisation of Council Tax Support.

Although the Authority is faced with this savings challenge, the Authority has arrangements in place to address this through a robust budget setting process which includes measures to ensure planned savings are achieved including, for example, service reviews and the review of fees and charges. It is also noted by management that the forecasts include County Council cuts and restructure costs which are likely to be significantly less once plans are finalised.

In addition, one potential significant income stream under negotiation which has been prudently excluded from the MTFS is the retention of a percentage of the business rates

uplifts (estimated at over £14 million) that will be generated from the Enterprise Zone at MIRA Technology Park. The Authority is currently in negotiation with the Leicester and Leicestershire Local Enterprise Partnership (LLEP) to identify what element of this uplift will be retained by the Authority directly.

Housing Revenue Account (HRA)

The Authority approved a HRA investment strategy in July 2013 which included plans to expand the Authority's housing stock. It is planned that over the next three years, £7.5 million will be invested into Affordable Housing. In 2014/15 the focus will be on buying back formerly owned Council properties and development of housing on Council owned sites. In 2015/16 and 2016/17 the focus will be on building new homes. The provision of additional affordable housing will increase rental income to the HRA as well as generate New Homes Bonus (income to the General Fund).

Conclusion

Taking into account the Authority's past performance including its 2013/14 outturn against budget, prudence in assuming potential income streams, the HRA investment strategy and a robust budgetary process to identify additional savings, we have concluded that the Authority has proper arrangements in place to secure financial resilience.

Bus Station Redevelopment – the Crescent

The Crescent development is a key corporate priority for the Authority. It is expected to generate over 600 new jobs, provide retail, leisure and other facilities including an improved bus station and car parking site.

We reviewed the arrangements put in place by the Authority to monitor progress of the development. These include a joint project board that meets monthly with a standing agenda covering all key areas that would be expected, including development progress, legal matters, financial matters, lettings strategy, and communications. A well

designed risk register is used and is updated on a monthly basis incorporating a summary of mitigating actions taken against each risk.

The Authority will purchase Block C on completion of the development for £4.5 million. The Authority expects to realise a return on investment in Block C through projected rental income and business rates income as well as an estimated £1.2m of development profit. The return on investment is based on variables and assumptions which present a value for money risk to the Authority.

The Authority is managing these risks through lettings focused strategy meetings held every six weeks with letting agents. The aim is to secure 100% occupancy of Block C which will deliver both rental income and business rates into the future. A considerable amount of interest has already been received.

Leisure Centre

On 21 January 2014, the Authority appointed Places for People Leisure Management Ltd (formerly named DC Leisure) to build and run a new Leisure Centre at the former Council offices site.

Significant consultation was undertaken during the procurement process and an independent leisure expert advised on the selection process.

We reviewed the outputs of the consultation undertaken and selection process criteria and noted that an appropriate evaluation and selection basis was used to assess the bidders taking into account key aspects such as value for money and operational plans.

Arrangements to monitor construction of the Leisure Centre have been established with involvement of both Estates and Finance.

Recently it was identified by the building contractor that additional work will be required on the grounds which will add a further cost. This cost will be fully funded from reserves.

Despite the additional costs, value for money continues to be demonstrated, in particular, when taking into account the significant management fee income to be received over the next 20 years.

We acknowledge that a signed contract has not yet been finalised; however based on current arrangements discussed above we are able to conclude that the Authority have demonstrated value for money.

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the Annual Governance Statement.

We are pleased to report that there were no significant control deficiencies noted that we believe should be brought to your attention.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Finance, Audit and Performance Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

We note that several reports that have been submitted by management to the Finance, Audit and Performance Committee about fraud which have included a fraud risk assessment and a corporate fraud log. We are also aware that the Authority is forming part of a bid led by Leicester City Council to set up a Leicestershire wide corporate fraud team

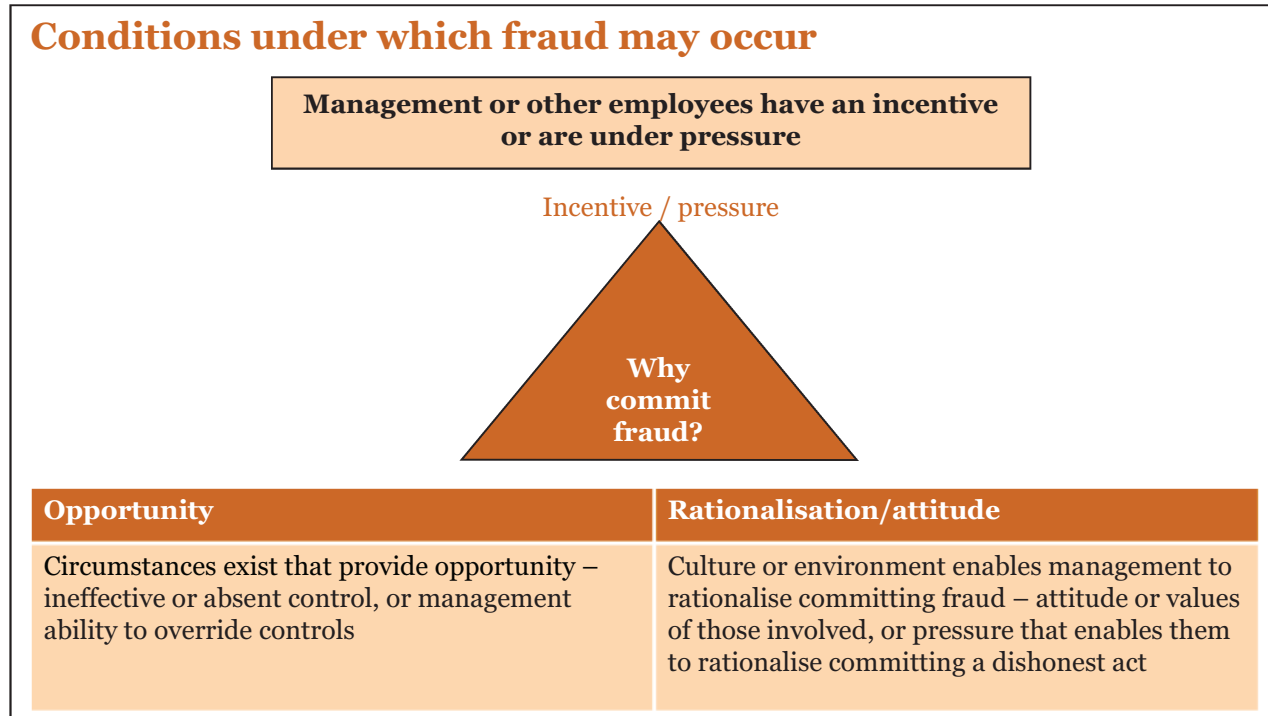
Your views on fraud

In our audit plan presented to the Finance, Audit and Performance Committee in March 2014 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

At the same meeting we also presented and discussed the Audit Commission's fraud survey results for the Authority and earlier in the year, one of our counter fraud specialists held a half day fraud awareness workshop with managers at the Authority and reviewed your Anti-Fraud policy.

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.



Fees update

Fees update for 2013/14

We reported our fee proposals in our plan.

Our actual fees were in line with our proposals.

Our fees charged were therefore:

	2013/14 outturn	2013/14 fee proposal
Statement of Accounts including whole of government accounts and Value for Money conclusion	64,980	64,980

We planned to perform work which fell outside of the Code of Audit Practice requirements. Our proposed and actual fee for that work was £9,800.

Our fee for certification of grants and claims is yet to be finalised for 2013/14 and will be reported to the Finance, Audit and Performance Committee in February 2015 within the Certification Report to Management in relation to 2013/14 grants.

Appendices

Appendix 1: Letter of representation

[Entity letterhead]

PricewaterhouseCoopers LLP

Donington Court
Pegasus Business Park
Castle Donington
DE74 2UZ

Dear Sirs

Representation letter – Audit of Hinckley and Bosworth Borough Council’s (the Authority) Statement of Accounts for the year ended 31 March 2014

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2014 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the Service Reporting Code of Practice 2013/14.

I acknowledge my responsibilities as Deputy Chief Executive (Corporate Direction) for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the

Service Reporting Code of Practice 2013/14; in particular the Statement of Accounts give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 requires adjustment or disclosure have been adjusted or disclosed.

Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.
- I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

Regional Growth Funding and Fuel Poverty & Green Deal Funding

I confirm that I have reviewed the Authority's accounting policy in relation to the accounting and presentation of the regional growth funds and fuel poverty and green deal funds received in year, and having regard to the possible alternative policies, the accounting policies selected in the preparation of the Statement of Accounts are appropriate to give a true and fair view.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- The results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- All information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the Statement of Accounts.
- All information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- All known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

Related party transactions

I confirm that the attached appendix to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken for the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Business rates appeals provision

Regarding business rates appeals, an accounting estimate that was recognised in the Statement of Accounts:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Statement of Accounts.

Bank accounts

I confirm that I have disclosed all bank accounts to you.

Subsequent events

Other than as described in the Statement of Accounts, there have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Assets and liabilities

- The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.
- The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.
- I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Using the work of experts

I agree with the findings of Sturgis, Snow and Astill, Hymans Robertson and Inform CPI Ltd experts in evaluating the value of property assets, the fair value of pension fund assets and liabilities and the business rates appeals provision respectively. I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Accounting for Leicestershire Revenues and Benefits Partnership

I have disclosed to you all information concerning the Authority's accounting for the Leicestershire Revenues and Benefits Partnership ("the Partnership") in the Council's role as accountable body. I have determined that the remaining debit balance of £24,083 in the ledgers for the Partnership reflects the cash balance that is held within the Authority's bank account.

I acknowledge that at the end of 2013/14 the Partnership recorded a total under-spend of £68,028 for the three partner councils. I confirm that the Authority has agreed that the Partnership should retain the Authority's share of this under-spend and so this has not been recognised as a liability in the Authority's financial statements.

As minuted by the Authority at its Finance, Audit and Performance Committee meeting on 15 September 2014

.....

Deputy Chief Executive (Corporate Direction)

For and on behalf of Hinckley and Bosworth Borough Council

Date

Appendix 1 - Related parties and related party transactions

Related Party	Transactions
Central Government and other Local Authorities	Details provided within Note 31: Grant Income, Note 19: Short Term Receivables and Note 20: Short and Long Term Payables of the Statement of Accounts
Leicestershire County Council	£2.367m – income £50.449m - expenditure
Leicestershire Pension Fund	£1,381,480 - expenditure
Community Action, Hinckley and Bosworth	£32,020 - expenditure
Two family members of one Member of the Council	£778 - expenditure



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REVENUE AND CAPITAL OUTTURN – 1ST QUARTER 2014/2015
REPORT OF DEPUTY CHIEF EXECUTIVE – (CORPORATE DIRECTION)

1. PURPOSE OF REPORT

- 1.1 To inform members of the revenue and capital outturn at the end of the first quarter of 2014/2015

2. RECOMMENDATION

- 2.1 That the committee notes the report

3. BACKGROUND TO THE REPORT

- 3.1 Attached to this report are the monthly outturn reports including the following information for the quarter ended 30th June 2014:

- General Fund budget monitoring summary
- General Fund detailed variance analysis
- Capital Programme outturn by scheme
- Outturn position for the Housing Revenue and Housing Repairs accounts

General Fund

- 3.2 When the budget was approved by Council in February 2014 it was anticipated that £200,089 would be taken **from** balances and a net £172,230 transferred **from** earmarked reserves.

- 3.3 Since that date, the budget has been increased by £1,395,687, representing carry forwards requests and the transfer of budgets from 2013/2014 relating to unspent grants. In addition, the budget has been adjusted to reflect supplementary budgets that have been approved in line with financial procedures rules. These changes include a budget of £234,905 relating to a potential settlement for the ongoing land charges case. This was approved by Council in July 2014.

- 3.4 Explanations for variances against both profiled budget and estimated outturn have been detailed in the monthly outturn reports appended. The major service variations in excess of £50,000 have be summarised as follows:

	Timing Differences	Outturn variances	Explanation
	£000's Under spend/(Overspend)		
General Grants	2	658	<p>The Council was notified on 30th June 2014 of £658,430 of "section 31 grant" income, designed to reimburse the following changes announced in the 2012 and 2013 Autumn Statements:</p> <ul style="list-style-type: none"> • 2% cap in inflation for 2014/2015

			<ul style="list-style-type: none"> • Doubling of Small Business Rates Relief • Introduction of the £1,000 retail relief • Reoccupation relief; and • Empty new build measure <p>It is not currently known if the above grant should be treated as rates "in kind" and therefore included in the calculation of any levy/safety net payments. However in order to be prudent, this income has been placed into the Business Rates reserve pending any notification.</p>
Car Parks	51	38	Additional car parking income, mainly from LCC permits. A supplementary budget request for this additional income will be prepared for Executive.
Development Control	97	110	Growth in planning fees as a result of a number of large applications
Legal and Admin	55	23	Various timing differences relating to prior year costs that have not yet been billed. Year end under spend relates to income that will be received to fund Bus Station legal fees.

3.5 Based on these forecasts the current 2014/2015 outturn shows **£12,871,762** being spent on services with **£2,099,500** being transferred to earmarked reserves and **£1,451,297** being transferred from General Fund balances. In considering this position it should be noted that a transfer of £1,153,000 from balances to reserves was approved by Council in July 2014. Taking this into account, a net over spend of **£98,208** is forecast for 2013/2014 as indicated below:

	Transfer to/(from) Balances
Original Estimate	-200,089
Approved transfer to reserves	-1,153,000
Forecast position	-1,353,089
Current outturn position	-1,451,297
(Over)/ underspend	-98,208

Capital

3.6 £3,873,307 has been spent on capital schemes to the end of June 2014 against a budget for that period of £4,642,380. This represents an under-spend of £769,073. The major service variations in excess of £50,000 have been summarised as follows:

Scheme	£000's Under spend/ (Overspend)	Explanation
Disabled Facilities Grant	135	Budget is committed against works and this

		under spend therefore relates to timing differences.
Green Deal Fuel Poverty	99	Under spend relates to carry forward from previous years. All monies must be spent in 2014/2015 and are committed as such.
Council Office Relocation	74	Awaiting final invoice from contractor for works performed. No further spend anticipated.
Housing Repairs (Cumulative repairs schemes)	331	Difference represents the value of "Work in Progress" (WIP) currently sat within the Council's Orchard system. This will be transferred to the financial ledger following completion of works. The value of this WIP is being monitored on a periodic basis to ensure that the outturn on these budgets is accurately forecast. Taking into account this balance as at 30 th June 2014, a small under spend is forecast to year end.

Housing Revenue Account

- 3.7 As at 30th June 2014 it is anticipated that the HRA outturn surplus will be £83,847 against a latest budget of £89,847. This reflects a net over spend of £6,000. The HRA is forecasting that £50,000 less rent will be recovered in 2014/2015 due to collection rates. This is offset by salary savings of £44,000. In addition, the Housing Repairs Account, is forecasting a net saving of £33,000 due to salary savings within the service.

4. **FINANCIAL IMPLICATIONS (KP)**

The financial implications on the Council's budget position are outlined in the report.

5. **LEGAL IMPLICATIONS (EH)**

None raised directly by this report

6. **CORPORATE PLAN IMPLICATIONS**

The budget ultimately address all Corporate Plan objectives.

7. **CONSULTATION**

All budget holders have been consulted in collating the information for this report. This information has previously been reported to Executive Briefing.

8. **RISK IMPLICATIONS**

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

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.

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
S.11 - Failure to successfully deliver the Medium Term Financial Strategy	<p>The Ground Condition survey at Argents Mead which means that the cost of construction (and therefore cost to the Council) will increase by between £750,000 and £1m. Although provision was made of just over £500k from the 2013/14 under spend, the balance will need to be funded by temporarily borrowing internally from the Hub Rental reserve with a view to replenishing this reserve from in year savings in 2014/15 and from (if required) budgeted savings in 2015/16. This position was not reflected in the Council's MTFS which was approved by full Council in April/May 2014.</p> <p>A positive risk- negotiations on retention of business rates up lift from the MIRA EZ will probably mean that the Council retains at least 20% of up lift plus costs. This will be a positive movement in funding not included in the financial projections under pinning the MTFS</p>	Sanjiv Kohli

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

None

10. **CORPORATE IMPLICATIONS**

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

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background Papers: Civica Financial Files

Author: Katherine Plummer, Head of Finance ext 5609

Executive Member: Cllr KWP Lynch



Hinckley & Bosworth Borough Council

Monthly Outturn Reports

For the period April to June 2014

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June 2014 P3 Budget Monitoring Summary 2014/15								
Service	Budget as per Feb		Supplementary		Latest Budget used		Estimated	
	14 budget Book	Budgets/virements approved to date	Budgets/virements approved to date	ledger	recharges	Monitoring Report	Variations	Estimated Outturn
Central Services	2,969,918	560,109	3,530,027	-1,138,040	2,391,987	-658,000	2,872,027	6,764,914
Leisure & Environment	6,600,531	176,383	6,776,914	-1,408,183	5,368,731	-12,000	5,356,731	1,408,608
Housing (GF)	986,276	386,332	1,372,608	-167,230	1,205,378	36,000	1,241,378	1,984,980
Planning	1,857,450	266,530	2,123,980	-1,141,410	982,570	-139,000	843,570	-142,455
Direct Services Organisation	-115,500	-26,955	-142,455	-250,516	-392,971	0	-392,971	2,288
Support Services	0	33,288	33,288	4,074,615	4,107,903	-31,000	4,107,903	-18,600
Estimated Salary Savings	0	0	0	0	0	-18,600	0	-18,600
TOTAL SERVICE EXPENDITURE	12,298,675	1,395,687	13,694,362	-30,764	13,663,598	-822,600	12,840,998	12,840,998
Special Expenses	-616,940	0	-616,940	0	-616,940	0	-616,940	0
Capital Accounting	-1,473,822	0	-1,473,822	0	-1,473,822	0	-1,473,822	0
External Interest - Net	2,490	55,550	58,040	58,040	58,040	0	58,040	0
IAS 19 Adjustment	-131,880	0	-131,880	0	-131,880	0	-131,880	0
Unfunded benefits and curtailments	0	0	0	0	0	0	0	0
Transfer to Pension Reserve	25,260	0	25,260	0	25,260	0	25,260	0
use of ug & C reserves	0	-619,957	-619,957	0	-619,957	0	-619,957	0
cont to ug and c for new grants	0	0	0	0	0	0	0	0
Carry forwards 1/4/14	0	-217,422	-217,422	0	-217,422	0	-217,422	0
Transfer to Reserves	280,500	400,000	680,500	0	680,500	0	680,500	0
Transfer from reserves unapplied grants	-452,730	-359,050	-811,780	0	-811,780	0	-811,780	0
Use of Reserves	9,931,553	654,808	10,586,361	-30,764	10,555,597	596,400	11,152,000	11,152,000
BUDGET REQUIREMENT	9,931,553	654,808	10,586,361	-30,764	10,555,597	596,400	11,152,000	11,152,000
Financing	3,331,904	0	3,331,904	0	3,331,904	0	3,331,904	0
Council Tax	189,239	189,239	378,478	0	378,478	0	378,478	0
Council Tax Freeze Grant	1,949,297	1,949,297	3,898,594	0	3,898,594	0	3,898,594	0
Revenue Support Grant	24,570	24,570	49,140	0	49,140	0	49,140	0
2% Rates Cap Grant	544,764	544,764	1,089,528	0	1,089,528	0	1,089,528	0
Council Tax Support Grant	2,251,383	2,251,383	4,502,766	0	4,502,766	0	4,502,766	0
National Non-Domestic Rate	1,401,891	1,401,891	2,803,782	0	2,803,782	0	2,803,782	0
New Homes Bonus	38,416	38,416	76,832	0	76,832	0	76,832	0
Collection Fund Surplus	9,731,464	0	9,731,464	0	9,731,464	0	9,731,464	0
TOTAL RESOURCES (HBBC BUDGET)	-200,089	-654,808	-854,897	30,764	-824,133	-596,400	-1,420,537	-1,420,537
Movement in General Fund Balances	616,940	0	616,940	0	616,940	0	616,940	616,940
Special Expenses	625,940	0	625,940	0	625,940	0	625,940	0
Expenditure	9,000	0	9,000	0	9,000	0	9,000	0
Council Tax Income	64,044	0	64,044	0	64,044	-8,000	56,044	56,044
Movement in Special Expenses Balances	9,000	0	9,000	0	9,000	0	9,000	0
Special Expenses to/(from) Reserves	9,000	0	9,000	0	9,000	0	9,000	0
Special Expenses mvt in Balances	-127,343	0	-127,343	0	-127,343	0	-127,343	0
Special Expenses New Homes Bonus	562,641	0	562,641	0	562,641	-8,000	554,641	554,641
BUDGET REQUIREMENT	362,552	-654,808	-292,256	30,764	-261,492	-604,400	-896,656	-896,656
Total Movement in Balances	2,192,383	0	2,192,383	0	2,192,383	0	2,192,383	0
Balance at 1st April 2014	2,192,383	0	2,192,383	0	2,192,383	0	2,192,383	0
Audit adjustments	2,554,935	-654,808	1,900,127	0	1,930,891	-604,400	1,295,727	1,295,727
Revised Balance 1st April 2014	10,494,194	654,808	11,149,002	-30,764	11,118,238	588,400	11,706,638	11,706,638
Balance at 31 March 2015								
NBR								

	£	Budget Book Position
Under/overspend	-200,089	Budget Book Position
Mvt to/from balances b	-1,153,000	Subtotal
Transfer to reserves	-1,353,089	Estimated Outturn
Assumed mvt	-1,451,297	Grand total
Forecast mvt	-98,208	
(Over)/underspend		

Level 5	Estimate to Date	Actual to Date	Variance to Date	Timing Differences	Variance excluding timing Differences	Est 2014/15	Forecast Outturn	Forecast Variation to Year End	REF
as45	155,148	151,142	4,006	-6,000	10,006	827,324	827,324		1.1
as40	6,874	5,706	1,168		1,168	27,090	27,090		
as75	94,860	-25,517	120,377	119,000	1,377	306,670	306,670		
ag35	3,288	-60,769	64,057	61,000	3,057	289,337	289,337		
as90	2,519	2,544	-25		-25	34,467	34,467		
as65	183,171	247,044	-63,873	-65,000	1,127	761,581	103,581	658,000	1.2
as70	1,133	698	435		435	4,118	4,118		
as60	19,973	-103,847	123,820	119,300	4,520	141,400	141,400		
Central Services	466,966	217,001	249,965	228,300	21,665	2,391,987	1,733,987	658,000	
cs04	-21,076	-42,591	21,515	13,000	8,515	-208,585	-208,585		2.1
cs05	-24,599	166,427	-221,026	-260,000	38,974	-184,386	-184,386		2.2
Direct Services Organisation	-45,675	153,837	-199,512	-247,000	47,488	-392,971	-392,971	0	
ag40	60,083	24,925	35,158	32,000	3,158	182,360	182,360		
ag50	5,561	0	5,561	5,560	1	22,230	22,230		
ag60	7	0	7		7	10	10		
ag20	-1,767	5,128	-6,895	-2,750	-4,145	-5,504	-5,504		
ag55	17,417	22,777	-5,360	-7,000	1,640	129,773	129,773		
ag10	195	189	6		6	260	260		
ag80	11,025	11,298	-273	-30,000	138	1,026,835	1,026,835		
ag70	48,864	78,726	-29,862	966,000	42,608	-194,776	-158,776	-36,000	3.1
ag30	-35,432	-1,044,040	1,008,608	963,810	43,140	1,205,378	1,241,378	-36,000	
Housing (Gen Fund)	105,953	-900,997	1,006,950						
ac65	1,724	-1,675	3,399		3,399	6,900	6,900		
ac05	40,894	39,299	1,595		1,595	163,002	163,002		
ac90	12,967	-11,440	24,407	23,000	1,407	127,901	127,901		
as86	36,257	42,491	-6,234	-6,200	-34	96,372	96,372		
as85	110,661	98,351	12,310	15,000	-2,690	480,887	480,887		
ac70	26,865	29,099	-2,234		-2,234	107,518	107,518		
ac87	15,689	20,770	-5,081		-5,081	55,932	60,932	-5,000	4.1
ac45	12,255	12,160	95	1,000	-905	33,459	33,459		4.2
ac35	126,920	134,016	-7,096	-1,000	-6,096	529,899	529,899		4.3
ac40	6,003	6,009	-6		-6	18,452	18,452		
ac60	96,097	97,571	-1,474		-1,474	350,536	350,536		
ac89	2,812	-904	3,716		3,716	55,960	55,960		
ac95	4,785	3,292	1,493	3,000	-1,507	-13,320	-13,320		4.4
ac68	166,089	164,200	1,889		1,889	669,696	669,696		
ac30	1,163	-266	1,429		1,429	33,561	33,561		4.5
ac10	13,024	10,745	2,279		2,279	30,692	30,692		
ac20	194,383	189,331	5,052	-20,000	25,052	765,771	765,771	17,000	4.6
ac15	249,423	215,208	34,215	22,000	12,215	858,011	858,011		4.7
ac83	40,960	26,712	14,248	10,000	4,248	187,154	187,154		

Level 5	Estimate to Date	Actual to Date	Variance to Date	Timing Differences	Variance excluding timing Differences	Est 2014/15	Forecast Outturn	Forecast Variation to Year End	REF
ac25	201,821	204,577	-2,756		-2,756	792,798	792,798		
cs03	359	-40,472	40,831	37,000	3,831	550	550		
Leisure & Environment	1,361,151	1,239,072	122,079	83,800	38,279	5,368,731	5,356,731	12,000	
aq15	6,548	85	6,463	6,400	63	47,913	47,913		
aq20	78,568	-7,526	86,094	35,000	51,094	-125,522	-167,522	42,000	5.1
aq70	41,448	43,581	-2,133		-2,133	117,510	117,510		
aq11	43,674	-78,485	122,159	25,000	97,159	311,162	201,162	110,000	5.2
aq14	55,242	-3,426,412	3,481,654	3,476,000	5,654	189,060	189,060		5.3
aq13	1,080	527	553		553	4,348	4,348		
aq05	11,623	14,479	-2,856		-2,856	46,492	46,492		
aq35	-120,760	-134,889	14,129	1,000	13,129	-607,617	-607,617		5.4
ac75	13,029	19,807	-6,778		-6,778	-24,057	-11,057	-13,000	5.5
aq30	16,126	7,072	9,054	-1,000	10,054	75,605	75,605		5.6
aq12	169,378	-2,375,391	2,544,769	2,529,000	15,769	906,944	906,944		5.7
aq25	6,371	7,067	-696		-696	280	280		
aq75	9,641	10,007	-366		-366	40,452	40,452		
Planning	331,968	-5,920,078	6,252,046	6,071,400	180,646	982,570	843,570	139,000	
as05	68,798	45,807	22,991	21,000	1,991	295,578	295,578		
as07	42,814	41,726	1,088		1,088	172,617	172,617		
as45	153,908	143,235	10,673		10,673	616,289	616,289		6.1
as25	441,081	451,721	-10,640	-23,000	12,360	1,158,453	1,153,453	5,000	6.2
as15	153,323	140,133	13,190	9,000	4,190	612,059	609,059	3,000	6.3
as30	10,566	10,729	-163		-163	42,148	42,148		
as20	502,572	417,840	84,732	74,000	10,732	1,181,871	1,181,871		6.4
as10	326,586	267,609	58,977	4,000	54,977	1,246,578	1,223,578	23,000	6.5
as06	11,011	10,907	104		104	45,500	45,500		
	-253,710	-169,427	-84,283	-84,000	-283	-1,211,740	-1,211,740		
	-12,863	-13,710	848		848	-51,450	-51,450		
Support Services Holding A/c	1,444,087	1,346,569	97,517	1,000	96,517	4,107,903	4,076,903	31,000	
Position as at 30/06/2014	3,664,450	-3,864,596	7,529,046	7,101,310	427,736	13,663,598	12,859,598	804,000	
Estimated year end salary underspend							18,600	18,600	
						13,663,598	12,840,998	822,600	

Outturn Explanations April 14 to June 14	
	Key : () = overspend
	Forecasted year end variations
1	Central Services
1.1	➤ Corporate Management - £3k Variance in Members Allowance, £8k variance in Bank Charges, (£1k) minor variances Year End - No year end variance currently forecast
1.2	➤ General Grants - £2k Minor variances Year End - £658k - S31 grant income in respect of Business Rates Retention Scheme. May be subject to levy payments (treatment to be confirmed) and therefore placed in reserve pending guidance
2	Direct Service Organisations
2.1	➤ DSO Grounds Maintenance - Year End - £9k salary vacancies due to vacant posts
2.2	➤ DSO Housing Repairs Year End - £10k salary savings due to vacant posts, £6k fuel savings due to more efficient route planning - year end impact to be considered in July for repairs and Streetscene, £23k materials savings due to fewer voids in the first quarter (£10k of this is to be set aside for an increase in skip costs and remainder required for WIP)
3	Housing (General Fund)
3.1	➤ Rent Allowances - £28k Additional income from Benefits Iman (year end impact agreed to be reviewed at end of Q2). £15k Income received from DWP to cover additional costs of implementing welfare reform changes in 2014/15 (hence no year end impact). Year End - (£36k) Subsidy Impact - estimated reduction in income at month 2. This amount fluctuates in year.
4	Leisure & Environment
4.1	➤ Creative Communities - Sponsorship income budget pressure of (£5k) Year end - External sponsorship contributions are expected to be lower than budgeted for (£5k).
4.2	➤ Dog Warden Service - Currently overspending on salaries (£1k). Year End - No year end variance currently forecast
4.3	➤ Environmental Health - Current overspend on salaries (Full time and casual wages) totalling (£6k), Year End - No year end variance currently forecast
4.4	➤ Licensing -Current over spend on salaries (£2k). Year End - No year end variance currently forecast
4.5	➤ Pest Control - Full time salary savings of £1k. Year End - No year end variance can be forecasted at this point.
4.6	➤ Recycling - Agency savings of £5k, recycling improvements £8k, fuel £5k, additional sweeping and plastics related income £7k. Year End - It is expected that sweeping income and plastics related income will continue to grow and exceed budget by £17k.
4.7	➤ Refuse - Current under spend due to agency £7k and fuel savings £5k. Year end - No year end variance can be forecasted at this point.
5	Planning
5.1	➤ Car Parks - £38k additional LCC season ticket income received, £8k additional pay and display income received, £3k additional season ticket income, £2k other minor variations. Year End - £38k LCC season ticket income and £4k additional pay and display income.
5.2	➤ Development Control - £74k additional income for planning fees in relation to Barstone development and Earl Shilton SUE. Temporary Vacancies of £25k generating current salaries underspend, however, this budget is expected to be utilised before year end pending approval of restructure. (£2k) minor budget variations. Year End - £110k additional planning fees income to year end - reflects above schemes and predicted growth to year end.
5.3	➤ Economic Development - Currently a minor under spending on salaries £6k. Year-end - Expenditure on the MIRA project is all RGF funded and therefore forecast outturns will net to £nil
5.4	➤ Industrial Estates - £10k additional rental income following review of debt recovery procedures, £3k minor variances
5.5	➤ Markets - (£4k) Income shortfall on Atherstone markets and other minor variations (£3k) Year end - Forecast income shortfall for Atherstone markets (£13k)
5.6	➤ Miscellaneous Properties - £3k Additional rents, £1k variance in electricity costs, £4k variance in Gas costs due to cost for 2013/14 being over accrued, £2k minor variances
5.7	➤ Planning Policy - Current underspend on Earl Shilton & Barwell SUE £10k and Gypsy & Traveller Needs Assessment £6k. It is expected that these will be spent before year end.
6	Support Services Holding A/c
6.1	➤ Corporate Management - £9k Salaries, £2k minor variances
6.2	➤ Council Offices - £6k Variance on Utility Costs, £5 Variance in NNDR. £3k Minor variances Year end: Variance in NNDR £5k
6.3	➤ Finance Support - Salary saving of £4k. There are various other variances with a net nil impact. Yr end -Internal Audit £3k.
6.4	➤ IT Support - £10k Refund re 2013/14 invoice received for Connectivity of Telephone Lines (review of all lines to commence to establish if any year end impact), £1k Minor Variances

		Forecasted year end variations
6.5	➤	Legal & Admin - (£7k) Salary overspend in Legal, £2k Underspend on Legal Agency Costs, £7k Underspend on corporate Training Budget as training co-ordinator has not been used since April 14, (£1k) overspend on Annual Subscriptions to Jobs go Public, £7k under spend in legal fees, £16k corporate postage accrual not yet cleared, £2k variance on postage cost, £5k Income received from County to cover postage costs incurred in 2013/14, £21k additional legal costs received, £3k other minor variances. Year End £8k income to be received from County to Cover Franking Machine costs incurred, £15k one-off income regarding Bus Station legal costs.

Total (over)/under spend

Estimated Year end salary (over)/under spend

Forecasted year end saving

Summary of Timing Differences in Variations

Monthly Outturn Report 1st April to 30th June 2014

Under spends/(Overspends) caused by timing differences

		£	£
Corporate Management	Outstanding Accrual for 2013/14 Audit Fees Annual Subscription to East Midlands Council 2014/15 paid in July Costs incurred by District Council Network - to be invoiced in July	15,000 5,000 (26,000)	(6,000)
Council Tax/ NNDR	Quarter 1 contributions to be made to the Revenues & Benefits Partnership Delay in payment of contributions to the Revenues & Benefits Partnership, due to costs not yet having been incurred by the partnership Outstanding Accrual re Analyse Local Software	102,000 10,000 7,000	119,000
Council Tax Support	Quarter 1 contributions to be made to the Revenues & Benefits Partnership Delay in payment of contributions to the Revenues & Benefits Partnership, due to costs not yet having been incurred by the partnership Delay in Reimbursement of Costs for Single Person Discount Review	65,000 7,000 (11,000)	61,000
General Grants	Small Business Rate Relief Income not yet received re 2013/14	(65,000)	(65,000)
Register and Borough Elections	European elections budget to be reprofiled to match election date Virement to be actioned regarding additional IER hardware funding Postage costs paid in advance	100,000 17,800 1,500	119,300
DSO Grounds Maintenance	Agency invoices to be invoiced in July Equipment & material purchases to commence in August External contracted works to be processed in July Income recharges to be processed in July	4,000 15,000 3,000 (9,000)	13,000
DSO Housing Repairs	Agency invoices processed in July Fuel payments - budget to be reprofiled Materials invoices to be raised in August Work in Progress awaiting completion in Orchard	2,000 6,000 45,000 (313,000)	(260,000)
Benefits Fraud	Quarter 1 contributions to be made to the Revenues & Benefits Partnership	32,000	32,000
Contribution to Housing Rev Ac	Contribution budget to be reprofiled	5,560	5,560
Forest Road Garages	Specialist expenditure miscode - to be corrected in July	(2,750)	(2,750)
Homelessness	Mortgage prevention fund contributions made in advance	(7,000)	(7,000)
Private Sector Housing	DECC contributions budget to be reprofiled	(30,000)	(30,000)
Rent Allowances	Quarter 1 contributions to be made to the Revenues & Benefits Partnership Outstanding Invoices for June Rent Allowances (Processed in July) Additional Subsidy income received (Reduced expenditure incurred to date) Delay in payment of contributions to the Revenues & Benefits Partnership, due to costs not yet having been incurred by the partnership	50,000 404,000 510,000 2,000	966,000
Children & Young People	£36k additional grant income received in period 1 - LCC Early Help Grant for Youth Activities Commissioning budgets to be reprofiled Surestart funding from LCC not yet received for Qrt1	36,000 23,000 (36,000)	23,000
CCTV	Awaiting reimbursement from Virgin media due to an overpaid phone bill	(6,200)	(6,200)
Community Safety	Community Safety contributions received in advance Project Endeavour - budget to be reprofiled	5,000 10,000	15,000
Dog Warden Services	Kennelling expenses- awaiting invoices	1,000	1,000
Environmental Health	Registration fees in Environmental Health are currently under recovered. Higher income is expected in future period to counter this.	(1,000)	(1,000)
Licences	Licensing - £2k underspend on Taxis MOT inspections. Higher level of expenditure expected in future periods. Licensing - £1k over recovered income from temporary event notice income. Owing to uncertainty over the frequency of temporary notice events saving can not be forecasted at this stage.	2,000 1,000	3,000

Recycling	LCC recycling credits - delay in receiving first quarter's credits	(20,000)	(20,000)
Refuse Collection	Miscoded income in Waste Business Improvements - corrected in July Miscoded agency payments relating to Waste Business Improvements - corrected in July Leasing Costs to be paid in next quarter - budget to be reprofiled Trade Waste income received in advance	(34,000) (3,000) 44,000 15,000	22,000
Sports Development	Refcus expenditure to be reprofiled into period 12 Shared service employee income not yet received LCC physical activity grant not yet received for first 6 months Sports development salary invoice yet to be received	49,000 (3,000) (39,000) 3,000	10,000
Waste Business Improvements	Miscoded income relating to Refuse collection - corrected in July Miscoded agency payments in Refuse collection - corrected in July	34,000 3,000	37,000
Building Inspection	Agency payments to be raised in the next quarter	6,400	6,400
Car Parks	Awaiting invoice for Rok - NNDR charges Hire and contracted services - to be reprofiled SEA car parking recharges to be posted in July Awaiting invoice for Harborough CPE charges Season ticket income received ahead of budgeted profile	7,000 3,000 6,000 14,000 5,000	35,000
Development Control	Shared service employees - invoices yet to be received Ecology study consultant fees - budget to be reprofiled Legal fees - timing difference in invoice payments Viability Costs Planning - budget to be reprofiled	5,250 5,000 7,300 7,450	25,000
Economic Development	MIRA project - contributions received in advance. All money to be spent by year end Consultancy fees - budget to be reprofiled Hire and contracted services - to be reprofiled	3,459,000 10,000 7,000	3,476,000
Industrial Estates	Outstanding 13/14 Accrual for Metered Water	1,000	1,000
Miscellaneous Properties	Atkins Service Charges Processed in July 14 Outstanding Accrual for Metered Water Delay in Payment of Cleaning Cost	(8,000) 2,000 5,000	(1,000)
Planning Policy	Bus station development - contributions received in advance Site Allocation & Generic Development - budget to be reprofiled Portas funding received for work to be started on Earl Shilton Town Centre. It is anticipated that the funding will Gypsy Travellers needs assessment budget will be spent as consultant is recruited to carry out the assessment. Consultancy Fees to be spent on Strategic Housing Market Assessment joint with other authorities. Budget to be re-profiled for Planning Aid expenditure awaiting agreement from third parties Master Plan Growth Point expenditure budget to be spent on AAP(Area Action Plan for Earl Shilton and Barwell). Earl Shilton "Growth Point" income received but project may be delayed. Income will be requested to be c/fwd to Local Plan 2026 Plus - budget to be reprofiled	2,465,000 51,000 13,000	2,529,000
Asset Management	Invoices not yet received for new cleaning contract. Outstanding Accruals re 13/14 Mitie Invoices - currently in dispute.	5,000 16,000	21,000
Council Offices	Delay in payment of Cleaning Costs NNDR Refund Received in July 14 Outstanding Accrual for Water at the Jubilee Building	13,000 (46,000) 10,000	(23,000)
Finance Support	Awaiting June invoices from ALLPAY Awaiting invoice from Internal Audit for services to be provided up to March 14- accrual b/f	4,000 5,000	9,000
IT Support	Remote access recharge to services to be completed Outstanding Accrual re Steria Invoice pd twice for May 13 Steria Invoices for April & May Still outstanding Outstanding Accrual re Blaby DC Outstanding Accrual re Steria Invoice	(2,000) (116,000) 232,000 (41,000) 1,000	74,000
Legal/Administration	Outstanding Accrual re Shared Services Legal income. Postage costs incurred in July instead of June.	(2,000) 6,000	4,000
HRA element of Support Services	Budget to be re-profiled	(84,000)	(84,000)
TOTAL TIMING DIFFERENCES			7,101,310

Capital Programme Summary
30th June 2014

Description	Original Budget £	Latest Budget £	Budget to Date £	Actual £	Variance £
General Fund					
Community Direction	13,452,890	17,219,447	3,819,280	3,501,987	317,293
Business, Contract and Streetscene Services	526,120	1,697,436	107,195	79,990	27,205
Corporate Direction	40,000	266,169	92,406	9,037	83,369
	14,019,010	19,183,052	4,018,881	3,591,014	427,867
HRA	4,604,130	4,547,761	623,499	282,293	341,206
Grand Total	18,623,140	23,730,813	4,642,380	3,873,307	769,073

Description	Orig Budget	Latest Budget	Budget to Date	Actual	Variance
Leisure Centre	6,750,000	6,763,852	20,000	10,206	9,794
	6,750,000	6,763,852	20,000	10,206	9,794
Major Works Grants	150,000	150,000	37,530	18,036	19,494
Private Sector Leasing	0	60,000	15,012	256	14,756
					Currently £20k formally committed to be spent before year end. No significant capital building alterations at this time. However, it is expected that this budget will be needed later in the financial year when more private sector homes join the scheme.
Disabled Facilities Grant	450,950	607,778	152,066	16,870	135,196
Minor Works Grants	70,000	90,000	22,518	3,252	19,266
Green Deal Fuel Poverty	0	404,250	101,142	1,919	99,223
					Currently £8k formally committed to be spent before year end. Currently £37k committed to date. It is expected that this budget will be utilised before year end.
Green Deal Capital Fund	0	25,940	6,489	0	6,489
Neighborhood Acton Hub set up costs	0	15,500	3,882	0	3,882
					Expenditure expected to be incurred in the 2nd quarter.
	670,950	1,353,468	338,639	40,333	298,306
Resurfacing Car Parks	8,940	21,528	10,750	12,780	-2,030
RGF - Primary Substation	3,898,700	6,373,855	1,945,000	1,945,687	-687
RGF - Site off A5	2,074,300	2,647,218	1,490,000	1,492,186	-2,186
Borough Improvements	50,000	52,828	13,215	448	12,767
					Schemes programmed for implementation in 2014/15 currently have a net total of £35k.
Shop Front Improvements Banwell	0	6,698	1,676	346	1,330
	6,031,940	9,102,127	3,460,641	3,451,448	9,193
Grand Total	13,452,890	17,219,447	3,819,280	3,501,987	317,293
Business, Contract and Streetscene Services					
Richmond Park Play Area	36,000	42,219	10,563	7,993	2,570
					Final contract sum agreed. There is predicted to be an estimated under spend of £20k.
Burbage Common	0	28,896	7,227	16,006	-8,779
Hinckley Squash Club	49,000	0	0	0	0
Microsoft Hardware	57,000	57,000	0	0	0
Waste Management Additional	25,520	25,520	0	0	0
Green Spaces Strategy	147,440	0	0	0	0
Vehicle Tracker	0	0	0	9,555	-9,555
Netherley Court	0	10,000	0	0	0
Preston Road	0	65,000	0	0	0
Gowrie Close	0	15,000	0	0	0
Stoneygate Estate	0	25,000	0	0	0
Rock Gardens	0	39,000	0	0	0
Queens Park	0	64,000	0	0	0
					To be resolved in July. 0 Works expected to commence in August. 0 Works expected to commence in January if S106 monies are received. 0 Works expected to commence in August. 0 Works expected to commence in January 2015. 0 Works expected to commence in August. 0 Works expected to commence in January 2015. 0 Works expected to commence in September Phase 1 to commence in January 2015. Phase 2 £24k to be commenced once S106 monies received.
Richmond Park Phase 2	0	5,000	0	0	0
Batling Brook	0	15,000	0	0	0
Countryside Sites	0	5,000	0	0	0
New Squash Facility	0	1,000,718	0	0	0
Memorial Safety Programme	5,160	7,595	1,899	0	1,899
Parks - Major Works	30,000	25,000	7,506	-31	7,537
Parish & Community Initiatives	100,000	116,488	4,000	4,000	0
Recycling Containers	76,000	76,000	76,000	54,297	21,703
Refuse Collection Vehicle	0	75,000	0	0	0
Recycling Banks	0	0	0	-11,830	11,830
					Accrual entry only part cleared as at end of June - delay in contract completion.
	526,120	1,697,436	107,195	79,990	27,205

30th June 2014
Corporate Direction

Code Description	Orig Budget	Latest Budget	Budget to Date	Actual	Variance
Financial Systems	0	8,706	2,178	2,875	-697
Asset Management Enhancemer	0	33,699	0	0	0
Council Office Relocation	0	22,442	5,613	-68,636	74,249
Depot Relocation	0	10,264	2,568	500	2,068
Argents Mead Demolition	0	81,815	40,000	41,414	-1,414
Depot Demolition	0	41,071	35,000	32,522	2,478
	0	197,997	85,359	8,674	76,685
General Renewal -Extensions	0	28,172	7,047	363	6,684
Rolling Server Review	40,000	40,000	0	0	0
	40,000	68,172	7,047	363	6,684
	40,000	266,169	92,406	9,037	83,369

£67k Final Stepnall payment still to be paid.

	Latest Budget	Budget to Date	Actual	Commitment	Variance
Adaptation Of HRA Dwellings-Social Serv	296,875	74,274	71,526	43,577	2,748
Major Void Enhancements	883,270	73,664	25,771	6,688	47,893
Programmed Enhancements	352,472	88,191	(7,808)	42,522	95,999
Electrical Testing/Upgrading	499,247	83,272	16,430	7,949	66,842
Windows : Single to Double Glazing	29,806	7,453	2,322	20,000	5,131
Re-Roofing	62,806	15,709	1,489	0	14,220
Kitchen Upgrades	617,661	103,024	44,574	25,154	58,450
Boiler Replacement	557,673	139,524	113,935	36,351	25,589
Low Maintenance Doors	32,000	8,004	2,325	0	5,679
Sheltered Scheme Enhancements	35,000	8,754	0	0	8,754
	3,366,810	601,869	270,564	182,241	331,304
Tenant Led Community Projects	20,000	5,004	0	0	5,004
Orchard System Upgrade	18,241	10,945	11,729	5,616	(784)
Housing Repairs Software System	22,710	5,682	0	0	5,682
	60,951	21,631	11,729	5,616	9,902
Enhancement Works - New Kitchen/Bathroom	120,000	0	0	0	0
Affordable Housing	1,000,000	0	0	0	0
	1,120,000	0	0	0	0
	4,547,761	623,499	282,293	187,857	341,206

Due to additional LCC referrals to clear the backlog, an additional budget will be required. If possible this will be met from the existing repairs budget

After allowing for works that have to be completed in Orchard, if demand stays at the current low levels there is a potential under spend on Major Voids. There are no significant variations.

Works to commence in September

	2014/15 ORIGINAL ESTIMATE £	2014/15 LATEST ESTIMATE £	2014/15 BUDGET to Jun 14 £	2014/15 ACTUAL to Jun 14 £	VARIANCE to Jun 14 £	TIMING £	VARIANCE Excl TIMING £	F'CASTED OUTTURN £	F'CASTED VARIATION TO YEAR END £	REF
SUMMARY HOUSING REVENUE ACCOUNT										
INCOME										
Dwelling Rents	(12,642,773)	(12,642,773)	(3,160,694)	(3,089,503)	(71,191)	(40,000)	(31,191)	(12,592,773)	(50,000)	1
Non Dwelling Rents (garages & land)	(78,261)	(78,261)	(27,865)	(26,835)	(1,030)	-	(1,030)	(78,261)	-	
Contributions to Expenditure	(16,340)	(16,340)	-	-	-	-	-	(16,340)	-	
	(12,737,374)	(12,737,374)	(3,188,559)	(3,116,338)	(72,221)	(40,000)	(32,221)	(12,687,374)	(50,000)	
EXPENDITURE										
Supervision & Management (General)	1,733,285	1,736,466	406,111	335,560	70,551	64,116	6,435	1,736,466	-	2
Supervision & Management (Special)	552,846	560,043	162,896	113,941	48,955	33,018	15,937	536,043	44,000	3
Contribution to Housing Repairs A/C	3,192,165	3,192,165	-	-	-	-	-	3,192,165	-	
Depreciation (Item 8 Debit)	2,883,000	2,883,000	-	-	-	-	-	2,883,000	-	
Capital Charges : Debt Management	3,790	3,790	981	1,092	(111)	-	(111)	3,790	-	
Increase in Provision for Bad Debts	110,500	110,500	-	-	-	-	-	110,500	-	
Interest on Borrowing	2,088,620	2,088,620	-	-	-	-	-	2,088,620	-	
	10,564,206	10,594,584	569,988	450,594	119,394	97,134	22,260	10,550,584	44,000	
Net (Income)/Cost of Services	(2,173,168)	(2,142,790)	(2,618,571)	(2,665,744)	47,173	57,134	(9,961)	(2,136,790)	(6,000)	
Transfer from Major Repairs Reserve	(850,780)	(850,780)	-	-	-	-	-	(850,780)	-	
Transfer from Unapplied Grants & Contribution Reserve	-	(30,000)	-	-	-	-	-	(30,000)	-	
Interest Receivable	(16,850)	(16,850)	-	-	-	-	-	(16,850)	-	
IAS19 Adjustment	(16,610)	(16,610)	-	-	-	-	-	(16,610)	-	
Accumulated Absences	-	-	-	(17,919)	17,919	17,919	-	-	-	4
	(3,057,408)	(3,057,030)	(2,618,571)	(2,683,663)	65,092	75,053	(9,961)	(3,051,030)	(6,000)	
CONTRIBUTIONS										
Contribution to Piper Alarm Reserve	10,400	10,400	-	-	-	-	-	10,400	-	
Contribution to Pension Reserve	3,910	3,910	-	-	-	-	-	3,910	-	
Contribution to Service Improvement Reserve	50,000	50,000	-	-	-	-	-	50,000	-	
Contribution to Repayment Reserve	-	-	-	-	-	-	-	-	-	
Transfer to Regeneration Reserve	2,922,017	2,902,873	-	-	-	-	-	2,902,873	-	
Contributions from Earmarked Reserve	-	-	-	-	-	-	-	-	-	
	(71,081)	(89,847)	(2,618,571)	(2,683,663)	65,092	75,053	(9,961)	(83,847)	(6,000)	

(Surplus) / Deficit

Explanations for Variances

Income

It is currently predicted that there will be an income shortfall of £50k at year end due to lower than expected collection rates.

Expenditure

See next page for Supervision and Management variances
See next page for Supervision and Management variances
Accumulated Absence costs reversed at yr end

	TIMING £000's	VARIANCE £000's	VARIANCE AT YEAR END £000's	REF
	(40)	(31)	(50)	1
	64	6	-	2
	33	16	44	3
	18	-	-	4
	75	(9)	(6)	

Housing Revenue Account

	2014/15 ORIGINAL ESTIMATE £	2014/15 LATEST ESTIMATE £	2014/15 BUDGET to Jun 14 £	2014/15 ACTUAL to Jun 14 £	VARIANCE to Jun 14 £	TIMING	VARIANCE Excl TIMING	F'CASTED OUTTURN	F'CASTED VARIATION TO YEAR END	REF
SUPERVISION & MANAGEMENT (GENERAL)										
	BUDGET BOOK									
Employees	625,670	613,961	151,208	140,102	11,106	7,500	3,606	613,961	-	2.1
Premises Related Expenditure	108,040	108,040	71,280	69,581	1,699	-	1,699	108,040	-	
Transport Related Expenditure	18,030	18,030	4,511	4,318	193	-	193	18,030	-	
Supplies & Services	183,575	198,465	23,781	22,554	1,227	-	1,227	198,465	-	
Central & Administrative Expenses	844,110	844,110	161,644	105,028	56,616	56,616	(0)	844,110	-	2.2
Gross Expenditure	1,779,425	1,782,606	412,424	341,584	70,840	64,116	6,724	1,782,606	-	
Revenue Income	(46,140)	(46,140)	(6,313)	(6,023)	(290)	-	(290)	(46,140)	-	
Net Expenditure to HRA	1,733,285	1,736,466	406,111	335,560	70,551	64,116	6,435	1,736,466	-	
SUPERVISION & MANAGEMENT (SPECIAL)										
Employees	578,080	570,249	140,056	126,638	13,418	10,400	3,018	570,249	-	3.1
Premises Related Expenditure	412,499	412,499	109,201	75,998	33,203	33,203	0	412,499	-	3.2
Transport Related Expenditure	10,550	10,550	2,657	2,288	369	-	369	10,550	-	
Supplies & Services	106,730	141,758	48,762	46,910	1,852	-	1,852	141,758	-	
Central & Administrative Expenses	114,220	114,220	28,662	25,759	2,903	2,903	(0)	114,220	-	3.3
Gross Expenditure	1,222,079	1,249,276	329,338	277,593	51,745	46,506	5,239	1,249,276	-	
Revenue Income	(615,313)	(615,313)	(152,954)	(163,651)	10,697	-	10,697	(659,313)	44,000	3.4
Recharges	(53,920)	(53,920)	(13,488)	-	(13,488)	(13,488)	-	(53,920)	-	3.5
Total Income	(669,233)	(669,233)	(166,442)	(163,651)	(2,791)	(13,488)	10,697	(713,233)	44,000	
Net Expenditure to HRA	552,846	580,043	162,896	113,941	48,955	33,018	15,937	536,043	44,000	

Explanations for Variances

	TIMING £000's	VARIANCE £000's	VARIANCE AT YEAR END	REF
SUPERVISION & MANAGEMENT (GENERAL)				
Employees				
Vacant posts and Holiday Pay accounting adjustment reversal.	8	4	-	2.1
Central & Admin Expenses				
All central & admin recharge budgets are evenly profiled over the financial year. At this point, charges relating to council offices etc have not been fully allocated, therefore while current recharges are under budget, no forecast variance is expected.	57	-	-	2.2
	65	4	0	
SUPERVISION & MANAGEMENT (SPECIAL)				
Employees				
Vacant posts and Holiday Pay accounting adjustment reversal.	10	3	-	3.1
Premises Related Expenditure				
Gas and Electric Bills - A mixture of timing issues from invoices not yet being received, mild summer and also some properties receiving credits in relation to previous year corrections.	33	0	-	3.2
Central & Admin Expenses				
All central & admin recharge budgets are evenly profiled over the financial year. At this point, charges relating to council offices etc have not been fully allocated, therefore while current recharges are under budget, no forecast variance is expected.	8	-	-	3.3
Revenue Income				
The Supporting People grant allocation from Leicestershire CC is expected to be £442k which is £44k higher than originally budgeted for.	0	11	44	3.4
Recharges				
Repairs & Control Centre recharges to be actioned in July.	-13	-	-	3.5
	38	20	44	

HOUSING REPAIRS ACCOUNT	2014/15 ORIGINAL BUDGET £	2014/15 LATEST BUDGET £	2014/15 BUDGET to June 14 £	2014/15 ACTUAL to June 14 £	VARIANCE to June 14 £	TIMING £	VARIANCE Excl TIMING £	OUTTURN O £	F'CASTED VARIATION YEAR END £	
Administration										
Employee Costs	341,060	418,808	102,117	65,523	36,594	3,000	33,594	385,808	33,000	1
Transport Related Expenditure	7,250	7,250	1,814	1,308	506	-	506	7,250	-	
Supplies & Services	119,840	119,840	25,007	9,493	15,514	15,000	514	119,840	-	2
Central Administrative Expenses	246,300	246,300	61,619	37,079	24,540	23,000	1,540	246,300	-	3
Total Housing Repairs Administration	714,450	792,198	190,557	113,402	77,155	41,000	36,155	759,198	33,000	
Programmed Repairs ("Major Works" e.g. Central Heating Service)	558,600	557,697	139,614	62,949	76,665	72,000	4,665	557,697	-	4
Responsive Repairs	1,202,655	1,279,989	287,047	101,560	185,487	185,000	487	1,279,989	-	5
GROSS EXPENDITURE	2,475,705	2,629,884	617,218	277,912	339,306	298,000	41,306	2,596,884	33,000	
Contribution from HRA	(3,192,165)	(3,192,165)	(798,041)	(798,041)	-	-	-	(3,192,165)	-	
Other Income	(2,010)	(2,010)	-	-	-	-	-	(2,010)	-	
IAS19 Adjustment	(4,030)	(4,030)	-	-	-	-	-	(4,030)	-	
Accumulated Absences	-	-	-	3,319	3,319	3,319	-	-	-	
TOTAL INCOME	(3,198,205)	(3,198,205)	(798,041)	(794,722)	3,319	3,319	-	(3,198,205)	-	
Contribution to HRA Reserves	720,000	720,000	-	-	-	-	-	720,000	-	
Carry Forward (Accelerated Works)	-	(100,000)	-	-	-	-	-	(100,000)	-	
NET EXPENDITURE	(2,500)	51,679	(180,823)	(516,810)	342,625	301,319	41,306	18,679	33,000	

Variances	VARIANCE AT			REF
	TIMING £000's	VARIANCE £000's	YEAR END £000's	
Savings due to vacant posts		29	33	1
Holiday pay postings to be completed at year end	3			1
Other minor variances		4		
	<u>3</u>	<u>33</u>	<u>33</u>	1
Control Centre charges posted in July	11			2
Awaiting Software invoices Budget to be reprofiled	4			2
	<u>15</u>	<u>-</u>	<u>-</u>	2
Awaiting Council Office recharges £17k and Postage recharges £6k	23			3
Programmed Repairs - Painting costs recharged in Jt	18			4
External Painting budget to be reprofiled	16			4
Central Heating budget to be reprofiled	38			4
	<u>72</u>	<u>-</u>	<u>-</u>	4
Accelerated Works to commence in July budget to be	33			5
Work in Progress	139			5
Responsive repairs budget to be reprofiled	13			5
	<u>185</u>	<u>-</u>	<u>-</u>	5
	<u>298</u>	<u>33</u>	<u>33</u>	

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Hinckley & Bosworth Borough Council

Internal Audit
Progress Report 2014/15

September 2014



1. Introduction

This report summarises the work of Internal Audit to the end of August 2014. The purpose of the report is to update the Committee on progress made in delivering the 2014/15 audit plan.

2. Progress summary

The internal audit plan for the 2014/15 year totals 323.5 days (including work in relation to Leicestershire Revenues & Benefits Partnership (LRBP) systems and total days carried forward from 2013/14). Section 5 provides details of all the audit assignments now included in the 2014/15 year, together with details of the quarter in which the assignments are planned for delivery at this stage, and an update on progress where assignments have commenced. Members will note some additional reviews agreed with management since the last meeting, which draw on days carried forward, as referred to above.

Members will note that information on tracking of agreed management actions is not included on this occasion; we will verbally update on this issue at the meeting.

3. Summary of reviews completed

The following reviews have been completed and final reports agreed with management since the last meeting of this Committee. The tables below set out summaries of the outcomes and any high or medium risk issues raised, and agreed actions to address them.

Review	Summary	Level of assurance				
Payroll	This audit examined the key controls in relation to management of the Council's payroll. A Significant Assurance Opinion was provided, with 4 medium and 2 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Permanent payroll data held on the system is accurate, and any amendments to payroll data are valid, accurate, appropriately authorised and timely.			√			
2. All deductions made from salaries are accurate, timely and authorised.		√				
3. The payroll is processed in an accurate and timely manner, including any temporary variations to pay.	√					
4. The security of payroll data is adequately maintained.	√					

The 4 medium level recommendations and management's responses are set out below:

System Control Objective 1: Permanent payroll data held on the system is accurate, and any amendments to payroll data are valid, accurate, appropriately authorised and timely.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.1 Authorisation of Expenses	For those employees not on the self-serve element of the payroll system, manual expense forms are used. These are required to be authorised by the appropriate manager as per the authorised signatory list and entered by either nominated staff at the depot or the payroll section. 10 expense forms were selected for testing and it was noted that 1/10 had not been authorised by an appropriate manager.	Inappropriate payments made	3	All expense claim forms should be authorised by an authorised signatory as shown on the authorised signatory list.	This was an isolated case relating to our courier (who submits his claim to HR direct). He has been reminded that any expense forms he submits has to made directly to the manager who will authorize accordingly. The officer who verifies will also ensure that all forms have been signed by the manager (as a double check)	Beverley Bee (Payroll Officer)/Lynn Fray (manager)/ Shawn Sweet (verifier)	Immediate
1.4 Elections Staff	It is now a requirement that all payments made in relation to elections work are paid via the payroll system. An extract was downloaded from the elections system for input to the payroll system but in the majority of cases the data could not be automatically imported and had to be entered manually. Due to the tight timescales, the entries were not independently verified within the payroll section. 20 payments were tested and all found to agree to details entered onto acceptance of appointment forms and to payment schedules for the types of duties carried out.	Inappropriate payments made	3	Payments should not be paid via the payroll system until data entered has been independently verified.	The process for next year, agreed by the Returning Officer, is as follows: All new starters will be input to the HR system at recruitment stage (October 2014). This will ensure that all starter information is process ahead of the elections as it is time consuming. <u>For 2015 election</u> A longer lead time between the close of	Hannah Tonks/Beverley Bee Hannah Tonks/Beverley	October 2014 January 2015

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
					<p>elections and payment of salaries has been agreed for next year. This will ensure that there will be more time to process payments and to verify the accuracy of those payments. It is proposed that payment to elections staff will be made on a later date of 16 July.</p> <p>Payments will not be processed until an independent verification has taken place by a member of the finance team.</p>	<p>Bee</p> <p>Kat Plumber</p>	<p>June 2015</p>
<u>1.5 Elections Payments</u>	<p>The Electoral Commission notified the Authority that payments made to the Chief Executive for his Counting Officer duties should be calculated at £475 per 10,000 electors. The Commission provided a spreadsheet which allows authorities to enter the number of electors shown on the register on the date of the election and automatically calculates the payment to be made. On the date of the election 22nd May 2014, the electoral register showed an electorate of 84,841. However, calculating the payment manually gives a payment due of £4,029.95 whereas the actual payment made as per the spreadsheet gives a payment due of £4,424, hence an overpayment of £394.05.</p>	Incorrect payments made	3	<p>The Electoral Commission should be contacted to inform them of the error on their spreadsheet.</p> <p>The overpayment should be reclaimed.</p>	<p>Electoral Commission has been notified, and this has been formally acknowledged.</p> <p>Overpayment has been recalculated and recovered via the August payroll.</p> <p>This amount was repaid on 21 August 2014</p>	<p>Hannah Tonks</p> <p>Bev Bee</p> <p>Bev Bee</p>	<p>27.8.2014</p> <p>w/c 18 August 2014</p> <p>21 August 2014</p>

System Control Objective 2: All deductions made from salaries are accurate, timely and authorised.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
2.1 Deductions	The new starter form shows a checklist for HR staff to follow when information is entered onto the system including tax details, NI details and pension details. Testing of 10 new starters showed that the information relating to PAYE, NI and pensions had been entered correctly to allow deductions to be accurately calculated for all but one employee. This new starter had joined the Council on 14/4/14 and new pension rates were introduced on 1/4/14 but the Council had not at that time received the details of the new rates. The HR Officer had written on the starter form "scheme needs changing to LGPS main scheme 2014" and had not ticked off the box to show that this had been actioned. Another HR Officer had independently reviewed the new starter form but had failed to notice the note entered and signed the form off as verified. We requested a report was run from the payroll system and it was confirmed that this was the only instance of pension deductions having not been made. This is considered to be a timing issue and should not happen on a regular basis.	All necessary deductions are not made.	3	Staff should be reminded to take care when verifying information entered onto the system from new starter forms. The underpayment should be calculated and claimed back.	Staff carrying out the inputting of new starters and the verification have been reminded that they need to double check and employer's percentage that they are attached to the payee, and also verify from the pay slip that pension has been deducted. Employee did not want to repay in total due to the amount accrued/under-deducted It was agreed, and supported by LCC pensions section to revise her start date in the LGPS (from August 2014)	Bev Bee/Shawn Sweet Bev Bee	Immediate 1 August 2014

Review	Summary	Level of assurance				
Section 106 Agreements	This audit examined the key controls in relation to the management of planning obligations (Section 106 Agreements) and relevant dealings with Parish Councils. A Significant Assurance Opinion was provided, with 1 high, 6 medium and 2 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Sums provided for within agreements are clearly identified to Parish Councils based on the provisions within the relevant agreement.		✓				
2. Parish Councils are demonstrably made aware of sums available and of any constraints on their use (e.g. nature of suitable spend/time limits etc).			✓			
3. Details of proposed spend are obtained from Parishes in a timely way and the Borough Council assures itself that these are appropriate based on the relevant agreement.		✓				
4. Funds are released to Parish Councils in accordance with suitable request and the agreed basis of spend.		✓				
5. The Borough Council has assurance of the actual spend and its compliance with agreement provisions,		✓				

The 1 high and 6 medium level recommendations and management's responses are set out below:

System Control Objective 1: Sums provided for within agreements are clearly identified to Parish Councils based on the provisions within the relevant agreement

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.2 Recording Approved Planning Applications on the Monitoring Spreadsheet	<p>A sample of 5 recently approved planning applications was reviewed to confirm they were recorded in the Monitoring Spreadsheet on a timely and consistent basis. It was noted that in 2 instances there were delays in the completion of the legal agreements (13/00979/FUL – 5 months, 13/00424/FUL – 4 months) which meant that they were not recorded in the Monitoring Spreadsheet.</p> <p>In addition, an approved outline application was not input to the Monitoring Spreadsheet because it was an outline application. However, it was noted that this treatment is inconsistent as other outline applications are recorded on the Spreadsheet.</p>	Approved planning applications with planning obligations are not recorded on the Monitoring spreadsheet in a timely and consistent manner.	3	Wherever possible legal agreements should be completed on a timely basis and thereafter recorded in the Monitoring Spreadsheet. Outline planning applications should be recorded consistently in the Monitoring Spreadsheet.	The spreadsheet will be updated and cross referenced as soon as practicable.	S106 Compliance and Monitoring Officer.	<p>Within 6 months and continually reviewed.</p> <p>14/2/15</p>
1.3 Completeness of the Monitoring Spreadsheet	The Compliance and Monitoring Officer maintains the Monitoring Spreadsheet but there is no process to ensure she systematically receives all completed legal agreements.	Not all completed legal agreements may be consistently forwarded to the Compliance & Monitoring Officer for recording on the Council's Monitoring Spreadsheet, resulting in incomplete data being recorded	3	A process should be introduced to ensure that all completed legal agreements are issued to the Compliance & Monitoring Officer for inclusion in the Monitoring Spreadsheet	Legal Officers have been instructed to send completed S106 to case officer and S106 monitoring officer. The procedure is in place. Case officers to ensure that this procedure is implemented	DM Manager/ Legal Officers/Case officers	Immediate and occurring.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.4 Monitoring Spreadsheet- Accuracy of Data	A sample of 9 planning permissions was selected from the Monitoring Spreadsheet and agreed to Unilateral Undertakings or similar planning agreements to confirm that the conditions of use and sums available were correctly reported. At the time of the audit 3 legal agreements were not available for review (12/01202/OUT, 12/00349/FUL, 09/00624/FUL) , in 1 instance the contribution was incorrectly stated (13/00949/COU - £938.10) and in 1 case the Monitoring Spreadsheet made no reference to on-site provision and associated maintenance (11/00489/FUL - £62,216).	Data reported to Parish Councils and other interested parties may be incomplete and inaccurate.	3	All entries in the Monitoring Spreadsheet should be supported by accessible legal agreements and the provisions, conditions of use and sums should be correctly reported.	A detailed review of permissions and the spreadsheet will be carried out.	S106 Compliance and Monitoring Officer.	Within 6 months (14/2/15)

System Control Objective 2: Parish Councils are demonstrably made aware of sums available and of any constraints on their use (e.g. nature of suitable spend/time limits etc)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
2.1 On Site Planning Obligations - Monitoring	Planning obligations with respect to open space provisions are, in some instances, delivered on site by the developers. Upon completion the site is adopted by either the Borough or Parish Council who can then access any provision made towards maintenance of the site/equipment. There are no processes in place to ensure that developers have delivered such responsibilities and also there are no procedures in place to ensure that related maintenance monies are claimed and applied by the Borough or Parish Councils.	On site open space provisions may not be delivered Related maintenance contributions may not be claimed or correctly applied.	2	Procedures should be drawn up to ensure that developers on site open space provisions are monitored, and to ensure that the associated maintenance charges are collected and applied.	A joint procedure between Policy and Development Management will be drawn up. A new Monitoring Officer post has been created in the Policy Team and a joint working arrangement will be agreed. Meetings with the Parish Councils are already taking place to understand and explain outstanding maintenance and use of this money.	Policy Monitoring Officer/ S106 Compliance and Monitoring Officer.	Within 3 months a draft protocol being in place. (14/11/14) With continual review every 6months or when issues arise.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
2.2 Reporting Planning Obligations to Parish Councils	To keep Parish Councils informed of their planning obligations, an extract from the Monitoring Spreadsheet is e-mailed to them on a quarterly basis. There is no control schedule in place to demonstrate that this does happen and to ensure that reports are issued to all relevant parish clerks.	Parish Councils may not be in receipt of their extracts of the Monitoring Spreadsheet on a timely basis	3	There should be a clear audit trail to demonstrate that Monitoring Reports are issued to all Parish Councils on a quarterly basis	This is agreed. In addition to emailing the Parish on the receipt of a contribution, a spreadsheet will be emailed to all parishes on following dates 1 April, 1 July, 1 October, 1 January or nearest working date after.	S106 Compliance and Monitoring Officer/ Policy Monitoring Officer	Within 3 months (14/11/14) and continual review every 6months or when issues arise

System Control Objective 3: Details of proposed spend are obtained from Parishes in a timely way and the Borough Council assures itself that these are appropriate based on the relevant agreement

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.2 Section 106 Forum	All requests to spend against off site Open Space planning obligations are approved by the Section 106 Forum which consists of 3 Borough Councillors and a number of relevant officers. This is a virtual Forum and an agenda is circulated to all members setting out the requests that require approval. There are no minutes to record what was approved. There are no Terms of Reference for the Forum	There is no record of decisions taken The role and responsibilities of the Forum are unclear	3	All agendas should include minutes of previous meetings which should clearly state what decisions have been taken. The roles and responsibilities of the Section 106 Forum should be reviewed and Terms of Reference should be drafted and approved.	The forum has been reviewed and it is agreed that this is not the most efficient or transparent method. This has been replaced by a written procedure when contribution is received.	S106 Compliance and Monitoring Officer.	Immediate and occurring. Review after 12months to allow new procedures time to settle in.

System Control Objective 4: Funds are released to Parish Councils in accordance with suitable request and the agreed basis of spend / System Control Objective 5: The Borough Council has assurance of the actual spend and its compliance with agreement provisions

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
4.1 Maintenance Payments to Parishes	We were unable to evidence in our sample testing that where maintenance payments are paid over to third parties the Council systematically obtains adequate written assurance that the capital sums which they support have been spent and that the maintenance will be correctly applied to support on-going maintenance of the capital asset (e.g. 05/00960/FUL). In addition, it would appear from 2 cases out of the sample of 5 cases selected for audit testing, that maintenance sums are not paid over to Parish Councils on a timely basis (i.e. 08/0056/FUL £ 43,854 rec'd 19/11/07 and 03/00205/FUL £11,994 rec'd 17/5/05), but not paid over at the time of the audit.	There is a risk that capital projects and associated maintenance responsibilities may not be discharged correctly by Parish Councils, and the Parish Councils may not receive the appropriate funding to support maintenance commitments.	3	Prior to the disbursement of maintenance monies the Council should obtain written confirmation from Parish Councils stating the capital work has been completed and that the maintenance payments will be applied to support on-going maintenance. The Council should systematically identify where it holds maintenance funds that should be paid over to Parish Councils and the Open Space budget, and ensure this happens on a timely basis.	Quarterly reviews (as per 2.2) will take place and advice to Parishes will be scheduled when contribution is paid. Meetings also taking place with Parish Councils	DM Manager/ S106 Compliance and Monitoring Officer.	Within 3 months (14/11/14)

Electoral Registration

We have completed the first phase of a two-phase review on the Council's implementation of Individual Electoral Registration, and have agreed with management a letter setting out our findings and recommendations and management's proposed actions. The letter is attached at the end of this progress report.

IT risk assessment

As part of our 2013/14 audit plan and to provide a focus for best use of future IT audit resources, we carried out an IT risk assessment at the end of 2013/14. The overall objective in undertaking this assessment was to identify the key IT risks faced by the Council, establishing the current situation with each of the areas and the importance to the Council of each one. The secondary objective was to develop a plan of IT Audit work that will provide assurance to the Council over the operation of the IT function. The assessment followed a systematic approach to acquire an accurate picture of the strengths and weaknesses of

IT at the Council. This involved discussions with the IT department, review of policies and discussion with the ICT Manager to identify areas within the day to day operation of IT where audits would add value. To achieve this overall objective, 16 key risk areas were identified and examined. These are summarised as follows:

- IT Strategy
- Internet Access
- IT Policies
- Logical Security
- Information Governance
- Project Methodology
- Asset Management
- Application Controls
- Software Licensing
- IT Service Desk
- Physical Security
- Backup/Disaster Recovery/Business Continuity
- System Administration
- IT Legislation
- Virus Protection
- Website Content Management

The review provided an assessment of the level of risk each area is considered to represent, and proposed a plan of audit work resulting from this to address certain specific areas of risk. Management also provided responses setting out action proposed in relation to risks we highlighted in other areas. The plan of specific audit reviews agreed with management is shown below.

Suggested Auditable Area	Risk Assessment Source	Risk Rating	Suggested Audit Coverage 2014/15
IT service provider contract	IT Strategy	Medium	Provide assurance over the arrangements for re-tendering external service provider contract, including review of service specification to confirm appropriate control mechanisms are included in the contract.

Suggested Auditable Area	Risk Assessment Source	Risk Rating	Suggested Audit Coverage 2014/15
IT Projects /Service Improvement Plan	IT Strategy	Medium	Provide assurance that IT projects/SIP (e.g. Windows 7 & Office 2010 rollout, new housing system, Channel Shift Strategy, or others to be identified for 2015/16) are delivered in accordance with defined user requirements, on time and to budget. This could be achieved through a traditional post implementation review, or by providing ongoing 'critical friend' support during the project implementation phase. (one project in 14/15, two projects in 15/16 to include Channel Shift Strategy to be selected). We expect in 2014/15 to consider the Orchard system upgrade.
Information Governance	Information Governance	Medium	Benchmark the Council's Information Governance arrangements against the Local Government IG Toolkit.

2014/15 Internal Audit plan

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Key Corporate Project assurance – Bus Station, MIRA/RGF and HRA Investment Plan projects	✓	✓	✓	✓	Ongoing. Initial management briefing paper issued and agreed.	
Efficiency/VFM reviews (Waste collection/recycling in 2014/15)			✓			
Fees and charges review	✓				Final report issued	Narrative/advisory
Budgetary Control			✓	✓		
Main Accounting			✓			
Council Tax – Leicestershire Revenues & Benefits Partnership			✓			
Business Rates – Leicestershire Revenues & Benefits Partnership			✓			
Benefits – Leicestershire Revenues & Benefits Partnership			✓	✓		
Financial Systems key controls			✓			

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Information Governance		✓			Scope discussed and agreed, starting September	
Orchard Housing System upgrade review		✓	✓		Scope being discussed	
ICT Services Contract review		✓	✓		Scope being discussed	
Corporate Governance			✓			
Payroll & Expenses		✓			Final report issued	Significant
Electoral Register		✓	✓		Review in 2 phases, first phase complete and advisory letter issued	
Human Resources					Timing and scope to be agreed following initial discussions with management	
Housing Rents				✓		
Homelessness/Allocations					Timing and scope to be agreed	
Development Control (Process Review)			✓			
Section 106 agreements/contributions		✓			Final report issued	Significant
Planning Policy/delivery			✓			
Town Centre Management		✓	✓		Scope and timing under discussion	

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Housing Repairs			✓			
Car Parks		✓			In progress	
Parking Enforcement		✓			In progress	
Asset Control			✓			
Whistleblowing – additional review		✓			Near completion	

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Date: 2nd September 2014

To: Julie Stay Resources and Transformation Manager

Cc: Hannah Tonks Electoral Services Officer
Katherine Plummer Head of Finance

From: Tim Ridout Chief Auditor

Re: **Internal Audit Interim Overview – Individual Electoral Registration**

Dear Julie,

As part of the 2014/15 Internal Audit Plan, a review of Individual Electoral Registration is due to be carried out. As agreed, this will take place in two phases, phase 1 an initial overview of project planning and progress to date to be undertaken in July and phase 2 a detailed review to be carried out at the end of October 2014.

This letter sets out the findings and conclusions in relation to phase 1.

Background

The Electoral Registration and Administration Act 2013 introduces a major change to the electoral registration system by introducing Individual Electoral Registration (IER) in Great Britain in order to modernise the electoral registration system and tackle fraud. IER replaces the existing system of household registration from 10th June 2014 in England. Electors will be asked to register individually and will be required to provide identifying information which will be checked (“verified”) before the individual can be added to the electoral register. This process will replace the existing system of household registration. It is expected that the majority of current electors will be transferred to the individual electoral register automatically via “confirmation” (matching electoral registers against records held by the Department for Work and Pensions). Therefore it will be possible to confirm the majority of people on the existing electoral register at the transition to IER, without the need for them to apply individually and they will not be required to share their personal data in order to remain on the electoral register when IER is introduced.

Verification of existing electors who do not match with DWP’s database during the confirmation exercise, and verification of new applications will involve the handling of personal data in a new way. Individuals applying to register to vote will be required to provide additional information which will be used to verify their application before they are added to the electoral register.

Scope and coverage

The overall objective of phase 1 of the review is to carry out an initial overview of the project management arrangements in place.

Findings

The Electoral Services Commission has issued preparation plans and guidance to aid authorities to plan key activities in relation to IT, the dry run, funding, resources, management and reporting. The latest version of the preparation plan in use is version 5. This has not been fully completed to show progress to date. It is recommended that this be fully updated to allow any slippage to deadlines or issues to be highlighted.

Individual Electoral Registration Preparation meetings were held on 2/7/13, 12/8/13 and 1/10/13 and were attended by the Chief Executive, the Electoral Registration Officer and representatives from IT, Finance and Council Tax. Meetings ceased in the run up to the May elections. It is recommended that these meetings recommence to ensure all key officers are fully aware of progress and outstanding issues.

The “project” has a risk register however the version provided shows some overdue dates which on further investigation have been completed or are still ongoing. It is recommended that the risk register is updated on a regular basis and reviewed and monitored by management and as part of the IER Preparation Group meetings to highlight deadline slippage and issues arising.

HBBC has produced a Public Engagement Strategy which shows plans for direct contact, local partner involvement and media & advertising. It is not clear from the document what progress has been made against the plans. It is recommended that the Strategy document is updated to show progress to date.

A training plan has been developed but again this has not been fully updated to show progress to date. It is recommended that the training plan is regularly updated

Conclusion

The detailed findings and recommendation can be found in appendix one. In summary it was found that key documents and plans have been developed but have not been kept up to date to evidence that activities are on track and highlight deadline slippage. The last meeting of the IER preparation group was in October 2013 and these should recommence to ensure key officers have up to date knowledge of progress and issues.

Yours sincerely

Tim Ridout
Chief Internal Auditor

Appendix one – Action Plan

Expected Control	Findings	Risk Ranking	Risk	Recommendation	Management Response	Officer Responsible	Implementation Date
<u>1. Plans and Registers</u>	<p>The Council has developed a number of plans and registers to ensure that the new Individual Electoral Register is implemented as required:</p> <ul style="list-style-type: none"> The Electoral Services Commission has issued preparation plans and guidance to aid authorities to plan key activities. The latest version of preparation plan is v5 but not all sections have been kept fully up to date. The risk register was found to be not fully up to date. The training plan is not fully up to date showing activities carried out. The Public Engagement Strategy should be updated to show progress to date. 	3	<p>Failure to meet deadlines. Failure to resolve issues.</p>	<p>The various plans and registers should be regularly updated to highlight deadline slippage and issues outstanding on a timely basis.</p> <p>These should be monitored on a regular basis.</p>	<p>The Electoral Services Officer will update the Preparation/Project Plans and Risk Register and these will be monitored during one-to-ones and monthly meetings.</p>	Electoral Services Officer	Immediate and ongoing.
<u>2. Meetings</u>	<p>Individual Electoral Registration meetings took place in July, August and October 2013 and were attended by the Chief Executive, Electoral Registration Officer and representatives from IT, Finance and Council Tax. Meetings were suspended for the May elections and have not been scheduled since.</p>	3	<p>Key deadlines not met. Issues not resolved on a timely basis.</p>	<p>Formal meetings should be held with key officers to monitor progress.</p>	<p>Monthly meetings have been arranged from September to January 2015 and will include the Chief Executive and representatives from IT, Finance and Council Tax.</p>	Electoral Services Officer	Immediate and ongoing.

Appendix 1 Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.

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Compliance with applicable standards

Our review of compliance against the applicable audit standards has confirmed that this engagement has been conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. In conducting this assignment we can confirm that there have been no impairments to our independence or objectivity, either as an organisation or as individual auditors involved in delivering this service.

Responsibility Statement

We have prepared this document solely for your use and, therefore, we believe that it would not be appropriate for it to be made available to third parties. If such a third party were to obtain a copy, without our prior written consent, we would not accept any responsibility for any reliance that they might place upon it.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 you are required to disclose any information contained in this report, then the Council will notify CW Audit Services promptly and consult with us prior to disclosing such report. The Council agrees to pay due regard to any representations which we may make in connection with such disclosure and apply any relevant

exemptions which may exist under the Act. If, following consultation with us, the Council discloses this report or any part thereof, it shall ensure that any disclaimer which we have included, or may subsequently wish to include in the information, is reproduced in full in any copies disclosed.

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**PERFORMANCE & RISK MANAGEMENT FRAMEWORK
REPORT OF: DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION)**

WARDS AFFECTED: ALL WARDS

1. **PURPOSE OF REPORT**

- 1.1 To provide the council's year to date position on:
- Performance indicators
 - Service improvement plans
 - Corporate risks
 - Service area risks

2. **RECOMMENDATION**

- 2.1 Note the end of year position for items listed at 1.1 above
- 2.2 Recommend actions to improve performance on indicators failing to meet target
- 2.3 Review red (risk score of 9, 8, or 7) risks to improve their risk scores

3. **BACKGROUND TO THE REPORT**

- 3.1 The Council reports quarterly on progress against its Performance Management Framework and Strategic Risk Management.
- 3.2 This report considers current performance with regard to the Corporate Plan Strategic aims

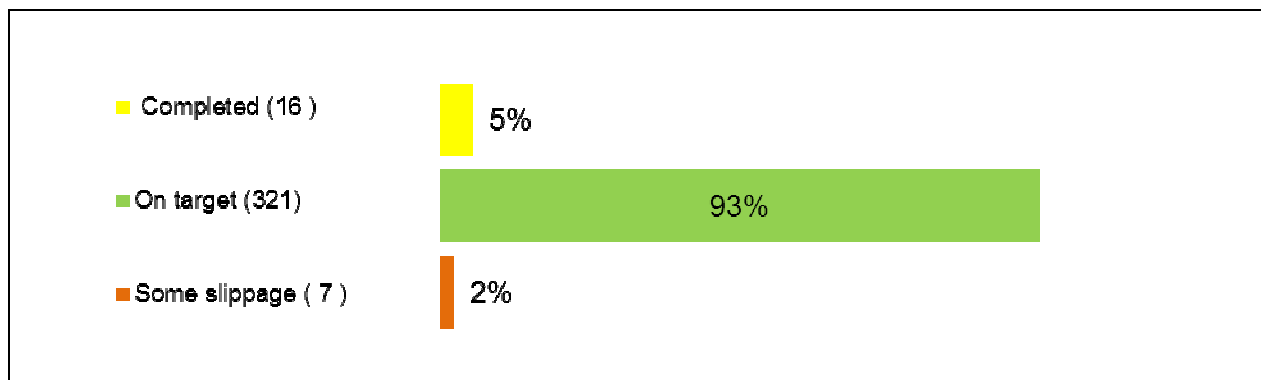
4. **OVERALL SUMMARY – (April 2014 to Jun 2014)**

- 4.1 Performance indicators (monthly and quarterly reporting frequency)

<p>Targets – how are we performing to set targets <i>(5 Indicators are still outstanding due to end of year calculations and/or are awaiting returns from County)</i></p>	<ul style="list-style-type: none"> ■ On target (46) ■ Within 15% of target (0) ■ Below 15% of target (0)
<p>Benchmarking performance against other councils: <i>LGEM (local Gov & East Midlands) have completed a project that allows benchmarking throughout East Midlands. An initial set of five indicators have been agreed and the system is now open for updating returns for 1st qtr. Deadline for inputting 1st qtr is 08 September, so information for reporting will only be always one quarter in arrears</i></p>	
<p>Indicators not yet reported:</p> <ul style="list-style-type: none"> • LI175 - No of hate crimes reported across all agencies • LI23 - Total incidents of assault with less serious injury • LI20 – Total recorded crime offences • LI22 – Total incidences of serious acquisitive crime 	

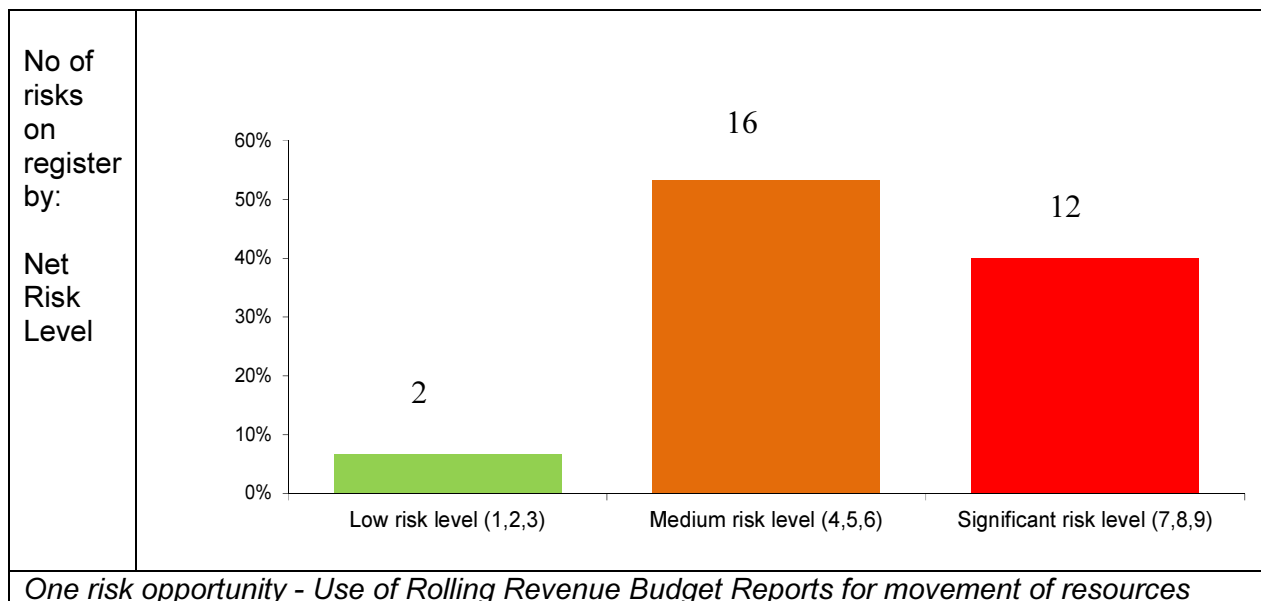
The Community Safety Partnership are currently working with the Police on new ways of capturing crime data. This may change the way the above indicators are currently reported

4.2 Service improvements plans



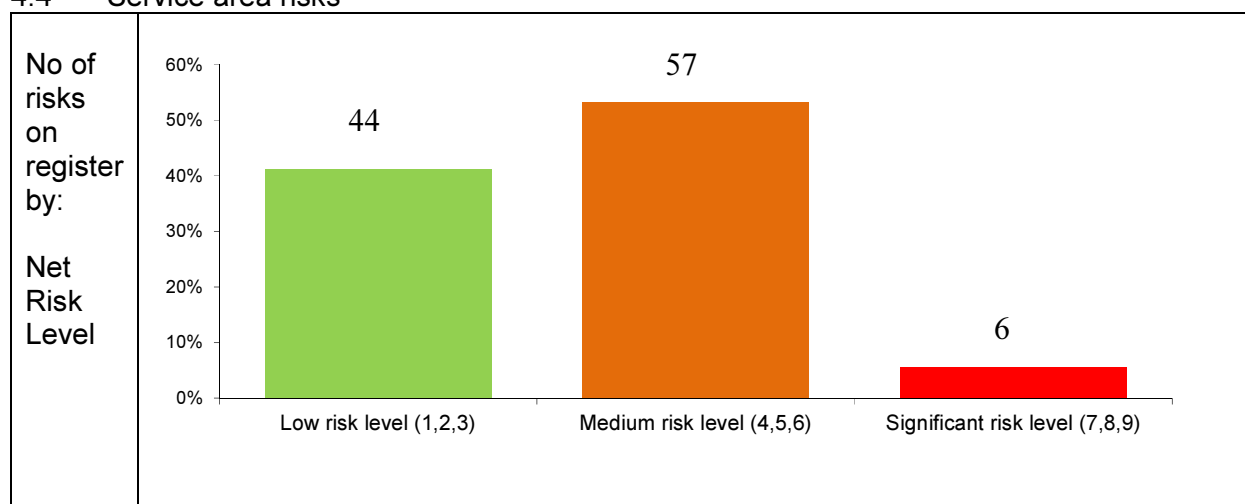
4.2.1 Details of Service Improvement Plans that show a status of “slippage” at year end are provided at appendix 1

4.3 Corporate/Strategic risks



4.3.1 Details of significant (score of 7, 8, or 9) Corporate risks are provided at appendix 2

4.4 Service area risks



4.4.1 Details of significant (score of 7, 8, or 9) service risks are provided at appendix 3

5. FINANCIAL IMPLICATIONS [KP]

None

6. LEGAL IMPLICATIONS [AB]

None

6. CORPORATE PLAN IMPLICATIONS

The report provides an update on the achievement of the Council's vision and revised Corporate Plan 2013 - 2016. The issues covered in this report relate to, and support the achievement of all the Council's Strategic Aims:

- Creating a vibrant place to work and live
- Empowering communities
- Supporting individuals
- Providing value for money and pro-active services

7. CONSULTATION

Each Service Manager has contributed information to the report and the performance outturn information is available on the Intranet via the TEN system

8. RISK IMPLICATIONS

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

This report summarizes all risks, strategic and operational (SIP) and therefore considers the risk implications with regards to the Corporate Plan.

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

Equality and Rural implications are considered as part of the implementation of the Corporate Plan 2013-16.

10. **CORPORATE IMPLICATIONS**








None

Background papers: None

Contact Officer: Cal Bellavia 📞5795

Executive Member: Councillor Ms BM Witherford

Appendix 1: Service Improvement Plans showing signs of slippage

SIP	Outcome	Action	Lead Officer	Progress
	Efficient, effective & proactive services	App07_Upgrade LocalView [14/07]	Lee McMahon	 [14/08] Installation is progressing. Issues have been encountered with ESRI. These are being resolved. This is not affecting live users or live functionality (PL).
	Improve health & wellbeing	Deliver minor and major social services adaptations within required timescales and budget by Apr 2015	Joe Preston	 Now forecasting a budget pressure and currently working through future demand to calculate likely amount.
	Identify & support the most vulnerable people	Create Prompt Register for Choice Based Lettings	Patricia Lavender	 Q1 - Work to commence in quarter 2 along with Scrutiny report on Allocations/CBL
	Move towards early intervention & prevention	Fund delivery of "Until Its Gone" Performances to Year 10 students dealing with issues concerning homelessness, ASB, drugs, teenage pregnancy, immigration and alcohol abuse	Jo Wykes	 Use of prevention fund currently being re-evaluated.
	Reduce our impact on the environment	Identify properties that may be eligible for ECO and Green Deal funding and advise the occupiers / owners of these schemes. Raise the profile of ECO and Green Deal locally by leaflets, promotions and targeted marketing.	Rosemary Leach	 Q1 ECO and green deal future uncertain the team is exploring ways of accessing external funding to support this work
	Improve confidence, perception & pride in communities	Support Hinckley Museum Developments	Lindsay Orton	 Q1 - Funding secured for Stage 1 but Museum require further support from a structural engineer before work can progress. 2nd stage application on hold at the moment due to unforeseen circumstances.
	Improve confidence, perception & pride in communities	Support the new Wharf Community Consortium to develop the facility	Graeme Chilvers	 Q1: Support provided to groups around possible funding streams while waiting for legal process surrounding ownership to be resolved.

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Appendix 2: Corporate risks with net risk level of 7, 8 or 9 (significant risks)

Risk	Failure to manage risk leads to:	Net Risk Level	Latest risk review commentary	Month last reviewed	Risk Owner
S.06 - Failure to implement the Town Centre Plan	lack of member support, private sector investment interest, public sector funding, public support, planning permission for the development and Lack of progress on Town Centre regeneration	9: Likelihood (high) - Impact (high)	Works started on the Crescent Scheme site on 2 June and are progressing on programme. Council have agreed to arrangements for the delivery of a new Squash facility at Tungsten Park to facilitate relocation from the Bus Station site.	Jul 14/15	Bill Cullen
S.11 - Failure to successfully deliver the Medium Term Financial Strategy	Underperformance, inadequate cashflow, ineffective financial planning	8: Likelihood (medium) - Impact (high)	The Ground Condition survey at Argents Mead which means that the cost of construction (and therefore cost to the Council) will increase by between £750,000 and £1m. Although provision was made of just over £500k from the 2013/14 under spend, the balance will need to be funded by temporarily borrowing internally from the Hub Rental reserve with a view to replenishing this reserve from in year savings in 2014/15 and from (if required) budgeted savings in 2015/16. This position was not reflected in the Council's MTFS which was approved by full Council in April/May 2014. A positive risk-negotiation on retention of business rates up lift from the MIRA EZ will probably mean that the Council retains at least 20% of up lift plus costs. This will be a positive movement in funding not included in the financial projections under pinning the MTFS	Aug 14/15	Sanjiv Kohli
S.12 - Insufficient Business Continuity Management (incl Disaster recovery) arrangements	Inability to deliver services following fortuitous events, poor reputation, breach of Civil Contingencies Act	8: Likelihood (medium) - Impact (high)	All Business Continuity Plans have been re-written to reflect the requirements of the new BS25999 standard. COB has now reviewed the position to ensure progress is maintained	Aug 14/15	Steve Atkinson - Chief Executive

Risk	Failure to manage risk leads to:	Net Risk Level	Latest risk review commentary	Month last reviewed	Risk Owner
S.15 - Failure to successfully adopt and deliver the LDF leads to:	Penalties from govt, loss of Planning Delivery Grant, uncontrollable development pressure,, unsustainable development, no clear spatial strategy, loss of employment/housing opportunities, impact on environment	8: Likelihood (medium) - Impact (high)	Consultation on Modifications to the Housing Allocations DPD has been completed and responses have been reviewed. Technical issues are currently being addressed and a program is in place to report the revised document to Council in November with submission to the Secretary of State early New year.	Jul 14/15	Bill Cullen
S.19 - Failure to improve sickness absence	Causes reduced capacity leading to failure/inability to deliver services/objectives efficiently	7: Likelihood (high) - Impact (medium)	Sickness absence levels reduced at start of 2014/15, in response to actions taken to address constructively a number of longer-term absences. Situation remains under review, but early signs have been positive	Aug 14/15	Steve Atkinson - Chief Executive
S.22 - Failure of County Council Support/ engagement for the Local Strategic Partnership	No recognition of local priorities at County level, Potential loss resource to assist delivery of objectives, missed advantage/opportunities	8: Likelihood (medium) - Impact (high)	LCC have still not responded to a request to complete its own benchmarking exercise for Leicestershire Together. However, LCC have recently announced a fundamental review of Leicestershire Together, with a view to reducing resourcing to the Partnership along with questions being raised by LCC Chief Executive over the effectiveness of the Partnership April update: LCC have not yet published outcomes of its review of Leicestershire Together.	Jul 14/15	Bill Cullen
S.33 - MIRA RGF Fund	Impact on development of MIRA on the A5	9: Likelihood (high) - Impact (high)	The RGF programme remains on target although there have been some delays in progressing A5 infrastructure works due to site due to technical issues. Good progress is being made with cabling works to power station. Procurement of the 'Mira sustainable buses' is underway. Good progress is being made on preparation of business case for major upgrade to A5 which is on program to be submitted to Government in September.	Jul 14/15	Bill Cullen

Risk	Failure to manage risk leads to:	Net Risk Level	Latest risk review commentary	Month last reviewed	Risk Owner
S.34 - Safeguarding of vulnerable adults, children & young people	Death or serious injury of a child, young and/or vulnerable adult	8: Likelihood (medium) - Impact (high)	A Serious Case Review is being undertaken – Sharon Stacey is HBBC key liaison rep. The findings of this will be fed into a report for SLB in Q2 that captures wider risks. Safeguard training continues to be rolled out to all employees. The Designated Safeguarding Officers hold regular meetings with the aim to seek improvements to processes, systems ensuring HBBC meets its statutory obligations.	Jul 14/15	Simon D. Jones
S.36 - Variances to Housing Repairs Account	Risk of additional expenditure	8: Likelihood (medium) - Impact (high)	Budget continues to be monitored and new SORs implemented which will reduce likelihood.	Aug 14/15	Julie Kenny
S.37 - Non delivery of capital projects which are interdependent	Issues to Town Centre plan and Leisure Centre Plans (S.06 and S.25)	8: Likelihood (medium) - Impact (high)	Bus Station redevelopment well under way. No material changes or issues that impacts on the risk profile of this project. Regarding the Leisure Centre, the Ground Condition survey at Argents Mead means that the cost of construction (and therefore cost to the Council) will increase by between £750,000 and £1m due to need to Pile the foundations. Although provision was made of just over £500k from the 2013/14 under spend, the balance will need to be funded by temporarily borrowing internally from the Hub Rental reserve with a view to replenishing this reserve from in year savings in 2014/15 and from (if required) budgeted savings in 2015/16. This position was not reflected in the Council's MTFS which was approved by full Council in April/May 2014. Also resulted in delay in delivery.	Aug 14/15	Sanjiv Kohli
S.43 - Leicestershire County Council budget cuts	Reduction in budgets for service delivery, therefore increasing the risk that services will be adversely impacted or charges may be required to recoup funding lost	8: Likelihood (medium) - Impact (high)	Independent Counsel opinion is that LCC can direct all waste collection authorities to direct waste to their waste disposal plant but cannot do this until they have actually secured this Plant through a tendering process and have consulted with the waste collection authorities which has not happened yet. Unlikely therefore to be implemented by 2015/16. This will have a positive impact on the budget for 2015/16 as it had been assumed in the MTFS that the circa £300K reduction in recycling credits would take effect in 2015/16.	Aug 14/15	Sanjiv Kohli

Risk	Failure to manage risk leads to:	Net Risk Level	Latest risk review commentary	Month last reviewed	Risk Owner
S.45 - Council does not prevent or detect fraudulent activities	Loss of income and reputation	8: Likelihood (medium) - Impact (high)	The Anti-Fraud and Corruption Policy was reviewed in year, along with completion of a fraud risk assessment in light of the Audit Commissions publication "Protecting the Public Purse". Fraud awareness training was delivered to all middle managers in December 2013 and briefings provided through Chief Executive Briefings. Internal Audit are currently carrying out a review of the Council's Whistleblowing Policy using a survey to confirm understanding. HBBC to form part of bid to DCLG for Corporate Fraud funding	Aug 14/15	Sanjiv Kohli

Appendix 3: Service area risks with a net risk level of 7, 8 or 9 (significant risk)

Risk	Risk failure leads to:	Net Risk Level	Latest review	Month last reviewed	Owner
CPS.41 - Staff levels	Failure to maintain staffing levels within Corporate Services to deal with works required	8: Likelihood (medium) - Impact (high)	There are currently capacity problems predominantly within the Legal Team due to high workload and turnover - Legal Services Manager developed a new structure in order to increase resource and to redistribute workload. In the short term agency cover has been arranged for the legal post (property)	Aug 14/15	Louisa Horton
DLS.42 - Meet the need of Gypsy and Travellers in the borough	Illegal incursions	8: Likelihood (medium) - Impact (high)	One additional site has been identified for additional pitches however concern has been raised by the owner that any future application should be considered on it's planning merits. Additional sites are being granted permission, so the supply of sites is increasing but this need to continue.	Aug 14/15	Sally A Smith Rachel Dexter Nic Thomas
DLS.42 - Meet the need of Gypsy and Travellers in the borough	Illegal incursions	8: Likelihood (medium) - Impact (high)	Additional sites are being explored as a number of existing sites which were identified as having potential for intensification or extension are unlikely to be deliverable, however work is still on-going on these sites	Jul 14/15	Sally A Smith Rachel Dexter Nic Thomas
DLS.44 - Five year housing land supply	Speculative unplanned housing developments plus additional costs incurred due to planning appeal process.	9: Likelihood (high) - Impact (high)	1. Barwell & Earl Shilton APP to be adopted at September 2014 Council. 2. Barwell Section 106 Agreement to be prioritised so permission can be issued and work on site can begin. 3. Earl Shilton SUE planning application to be encouraged from developers. 4. Sites within the Site Allocations document are being promoted for early delivery. 5. Member engagement / training in relation to housing developments has taken place, but this needs to be a continual engagement and message for Members. 6. Progress of the site Allocations & DM policies DPD being prioritised. 7. Encourage additional SHLAA sites to come forward for development as per paragraph 4.12 of the Core Strategy.	Aug 14/15	Sally A Smith Nic Thomas Rachel Dexter
DLS.44 - Five year housing land supply	Speculative unplanned housing developments plus additional costs incurred due to planning appeal process.	9: Likelihood (high) - Impact (high)	1. Adoption of the site Allocations & DM policies DPD and the Barwell & Earl Shilton APP being prioritised. 2. Sites within the Site Allocations document are being promoted for early delivery. 3. Member engagement / training in relation to housing developments. 4. Prioritising completion of Barwell SUE S106 negotiations.	Jul 14/15	Sally A Smith Nic Thomas Rachel Dexter

Risk	Risk failure leads to:	Net Risk Level	Latest review	Month last reviewed	Owner
HCS.77 - Sentinel	not accurately reflecting ASB as a whole across the council	9: Likelihood (high) - Impact (high)	Risk to the authority due to all ASB not being managed through Sentinel and the same case being managed on two different systems. to be included in ASB report to SLB to determine how ASB will be recorded.	Aug 14/15	Madeline Shellard
HCS.79 - Private sector housing scheme	Investigation of establishment of scheme is dependant on draw down of grant	8: Likelihood (medium) - Impact (high)	First tenant is in occupation; three additional properties have been leased and prepared for occupation. Additional properties have been identified and works being procured. Scheme is being widely promoted to encourage owners to come forward and participate..	May 14/15	Rosemary Leach
PHR.11 - Tenants - heating affordability	Economic Climate impacting on affordability for tenants to heat homes resulting in increased damp and condensation issues	7: Likelihood (high) - Impact (medium)	Risk reviewed - no change	Aug 14/15	Julie Kenny



**FINANCE, AUDIT AND PERFORMANCE UPDATE – CORPORATE
SERVICES
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION)**

WARDS AFFECTED: ALL WARDS

1. **PURPOSE OF REPORT**

- 1.1 To provide the committee with an update on the financial, performance and risk position of Corporate Services as at 31 July 2014.

2. **RECOMMENDATION**

- 2.1 That members note the contents of this report.

3. **BACKGROUND TO THE REPORT**

Financial Performance

- 3.1 The financial performance for Corporate Services from 1st April 2014 – 31 July 2014 has been detailed in Appendix 1. As at 31 July 2014, Corporate Services has under spent against the profiled budget (taking into account timing differences) by £99k. In addition there are were forecast variances meaning a predicted forecast outturn under spend of £23k.
- 3.2 Details of variances over £25,000 have been provided in Appendix 1.

Performance

- 3.3 Performance against performance indicators for Corporate Services from 1st April 2014 – 31 July 2014 has been detailed in Appendix 2, along with explanation where indicators have not been met. In total 100% of indicators are currently meeting target.

Risk Management

- 3.4 The risk register for Corporate Services contains 11 risks for 2014/2015. All red (high) risks as at 31 July 2014 are detailed below, along with actions that are currently being taken to mitigate these:

Risk	Risk failure leads to:	Net Risk Level	Review commentary	Risk Owner
CPS41 Staff Levels	Failure to maintain staffing levels within Corporate Services to deal with works required	8: Likelihood (medium) - Impact (high)	There are currently capacity problems predominantly within the Legal Team due to high workload and turnover - Legal Services Manager developed a new structure in order to increase resource and to redistribute workload. In the short term agency cover has been arranged for the legal post (property)	Julie Stay

3.5 In addition, the following red corporate risks are deemed to impact Corporate Services. An update on these risks and corresponding actions are provided below

Risk	Risk failure leads to:	Net Risk Level	Review commentary	Risk Owner
S.19 - Failure to improve sickness absence	Causes reduced capacity leading to failure/inability to deliver services/objectives efficiently	7: Likelihood (high) - Impact (medium)	Sickness absence levels reduced at start of 2014/15, in response to actions taken to address constructively a number of longer-term absences. Situation remains under review, but early signs have been positive	Steve Atkinson

4. FINANCIAL IMPLICATIONS [KP]

4.1 Contained within the *Financial Performance* section of the report

5. LEGAL IMPLICATIONS [EH]

6. CORPORATE PLAN IMPLICATIONS

6.1 All budgets, performance indicators and risks are mapped against the appropriate corporate plan implication.

7. CONSULTATION

7.1 No direct consultation

8. RISK IMPLICATIONS

8.1 Covered within the *Risk Management* section of the report

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 Covered as appropriate in the body of the report

10. CORPORATE IMPLICATIONS

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

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: None.

Contact Officer: Julie Stay, HR & Transformation Manager
 Executive Member: Cllr B Witherford

Appendix 1 – Financial Performance

	Estimate to Date	Actual to Date	Timing Diff	Variance exc Timing	Explanations >£25k	Forecast variance	Explanations >£25k
	£	£	£	£		£	
Corporate Management (Civic)	12,516	7,026	0	5,490		0	
Emergency Planning	27,741	27,771	0	-30		0	
Register and Borough Elections	-83,096	-98,297	8,250	6,951		0	
Communications & Promotion	54,189	54,571	0	-382		0	
Corporate Management	203,863	187,165	0	16,698		0	
Legal /Administration	425,861	357,478	-2,000	70,383	£5k salary savings in the Casual Staff in the Contact Centre, £7k savings on training co-ordinator use, £17k accrual adjustment for Franking Machine, £4k legal fees underspending budget likely to be fully utilised during the year, £30k additional legal costs received (£15k re Bus Station), £5k postage reimbursements from County for use of Franking Machine and £2k other minor budget variations. Forecasted YE Variances:- £15k Legal Income from Bus Station & £8k postage reimbursements from County for use of Franking Machine	23,000	
Performance & Scrutiny	14,565	14,426	0	139		0	
Total	655,639	550,140	6,250	99,249		23,000	

Appendix 2 – Performance Indicators

Reference		Target	Current Performance	Comments
BV012	Working Days Lost due to Sickness Absence	8.00	2.04	On target – we have seen a positive/significant dip in absence for the first four months this year.
	LCUS1b - Lost calls	15.00%	20.47%	Customer Services continue to try and resolve up to 70% of calls at first point of contact and this approach impacts on both average wait time and lost calls. Following customer feedback we introduced an initial holding message that advises customers of their position in the queue allowing them to make a decision on whether to hold for their call to be answered or to call back later.
	LCUS3 - Appropriate person sees customer within 10 mins	85.00%	70.70%	The time taken to serve customers on the POD's continues to rise slightly month by month as the level of support required by customers continues to increase. All visitors are seen at Meet and Greet on arrival and only customers needing assistance are issued tickets to see an advisor. Satisfaction results continue to support customers are happy to wait for the service provided.
	LCUS6a - Customer satisfaction on the telephone	95.00%	97.47%	Positive trend above target
	LCUS6b - Customer satisfaction - face to face	90.00%	92.78%	Positive trend above target
	BV002a(i) - Equality Framework	2	2	On target
	BV016a - % Employees with a Disability	4.50%	3.93%	Slightly below target first quarter –anticipating will meet target at end of year
	BV017a - % Ethnic minority employees	3.4%	3.4%	On target

	LI024 - Freedom of information - requests processed within 20 days	100.00%	99.4%	Slightly below – will monitor
	BV03 - Overall Satisfaction	82%	n/a	Survey not due to carried out till this Autumn – this is an annual indicator

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**FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 15th
SEPTEMBER 2014**

**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION)**



Hinckley & Bosworth
Borough Council

A Borough to be proud of

RE: BUDGET STRATEGY 2015/2016

1. **PURPOSE OF REPORT**

- 1.1 To review the proposed Budget Strategy for 2015/2016 ahead of formal approval by Council.

2. **RECOMMENDATION**

- 2.1 That the committee consider the Budget Strategy 2015/2016 ahead of formal approval.

3. **BACKGROUND TO THE REPORT**

Financial Outlook and the Medium Term Financial Strategy

- 3.1 This Budget Strategy is presented within an overall national scene of reduced central government funding and the drive towards greater financial localism. 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. That said, guidance in these areas is ever changing, making it difficult for authorities to reliably forecast or pre-empt financing arrangements going forward.
- 3.2 When members set the council tax for 2015/2016, the Deputy Chief Executive (Corporate Direction) as the Council's section 151 officer will have a duty under Part II of the Local Government Act to report on the robustness of the budget and the adequacy of reserves in providing quality services. This Strategy aims to provide a framework that will provide for this robustness but at the same time allows the flexibility to react to changes and opportunities should they arise.
- 3.3 The 2015/2016 draft settlement indicates that "core" settlement funding for this Council will reduce in the forthcoming year by almost 16%. Whilst the majority of this reduction **should** be recouped by increases in New Homes Bonus and Business Rates growth, these amounts are not guaranteed and are impacted by fluctuations in the local housing and commercial market.

	2014/15 Final Settlement	2015/16 Draft Settlement	Mvt	Mvt
	£	£	£	%
Revenue Support Grant	1,949,297	1,107,335	-841,962	-43.19%
Council Tax Support Grant ¹	544,764	544,764	0	0.00%
NNDR	2,251,383	2,313,524	62,141	2.76%
Council Tax Freeze Grants ²	146,726	146,691	-35	-0.02%
Total core financing	4,892,170	4,112,314	-779,856	-15.94%

- 3.4 Based on this allocation, the funding of this Council is expected to decrease above average for 2015/2016 which in turn impacts the “spending power” per dwelling for citizens of the Borough as detailed below:

	Spending power per dwelling		
	2013/2014	2014/2015	2015/2016 Indicative
	£	£	£
Average - Shire Districts	296.22	288.82	268.3
Hinckley and Bosworth Borough Council	234.06	226.14	207.8
Difference £	-62.16	-62.68	-60.5
Difference %	20.98%	21.70%	22.55%

- 3.5 In order to address this reduction, the Medium Term Financial Strategy approved by Council in May 2014, identified a number of “targets” which would move the Council from a “forecast” to a more sustainable “best case” financial position in 2015/2016. These amounts, together with more recent adjustments, are summarised below and will be set as targets to officers as part of the 2015/2016 budget build:

	MTFS	Revised
	£	£
Requirement (Difference in forecast and best case)	1,370,900	1,370,900
Of which:		
Additional legal fees	50,000	50,000
Additional planning and building control income	135,000	200,000
Additional recycling income	14,000	14,000
Printing and postage savings	10,000	10,000
Reduced impact on car parking income	19,000	19,000
Additional ICT shared service income	20,000	20,000
Contribution from external bodies for planning documents	100,000	100,000
New Homes Bonus no longer provided to parishes	478,000	178,000
BID contribution to car parking	25,000	25,000

¹ Whilst this grant is not specifically awarded from 2014/2015 onwards, DCLG stated that the allocation has been assumed as frozen and therefore this has been assumed in the presentation of funding for 2014/15 and 2015/16

² Grants for 2011/12 and 2013/14. It is expected that the grant announced for 2014/15 will be “rolled into” the core settlement from 2014/15 onwards

No additional appeals costs	100,000	100,000
Council Tax Support grant no longer provided to parishes	143,000	0
Reduction in hardware support	35,000	35,000
Business Rates Growth	115,000	200,000
NNDR and electricity savings (Hub)	50,000	50,000
Additional savings target	76,900	369,900

It can be seen from the above table the “additional savings target” has increased to £369,900 principally due to the phasing of the removal of the NHB to Parish Councils and the decision to carry on providing funding to Parish Councils for the impact on their Council Tax base from the Localisation of Council Tax Support. The Joint Management Board (SLB and COB) together with Finance will consider how to make up this gap in funding.

Income Generation/Fees and Charges

3.6 All fees and charges are reviewed on an annual basis and are published separately in the Council’s Fees and Charges book, as approved by the Executive. Whilst a dedicated charging strategy is not in place, a number of principals are followed when considering fees and charges.

3.7 In general terms, all applicable services should be charged for unless there is a valid reason for an exception to be made. These exemptions include, but are not limited to:

- Instances where the administrative cost of levying and recovering the charge would outweigh any potential income
- Where policy has been passed to fund the service from Council Tax or other dedicated funding streams (e.g. grants)
- Circumstances where charging would significant deter demand
- Where statute dictates that charges cannot be made

3.8 When setting scales of charges, the following factors are taken into consideration:

- Statutory obligations
- Policy decisions
- Inflation and relevant indices
- Local market research and competition, including consideration of market distortion (where relevant)
- The impact of price changes on activity level or demand
- Levels of subsidy (where appropriate)
- The need to avoid any exploitation of customers who have no option but to use the Council’s services
- Cost recovery. This should be considered with recognition that, taking one year with another, the income from charges should not exceed the cost of provision
- The financial position of the Council and the need to generate income to remain solvent

2015/2016 Budget Assumptions

3.9 The 2015/2016 base budget is to be based on the 2014/2015 original budget.

3.10 All one-off items in the 2014/2015 original budget will be removed and full year effects of part year reductions in 2014/2015 implemented. Any savings or additional income

identified as part of the last budget round but not being implemented until 2015/2016 must be adjusted for in the budget. It is highly unlikely that any additional money will be available for growth in 2015/2016. Consideration will be given to requests where additional resources are required to cover additional expenditure arising from additional statutory requirements or corporate priorities. Requests will need to be supported by both the relevant SLB and COB members and must be accompanied by an explanation as to why the costs cannot be met from existing resources.

3.11 The following inflation assumptions will be used in the budget process:

3.11.1 *Employees*

- Pay increase –1%
- National Insurance – HMRC rate (not yet confirmed)
- Employers Pension Contributions – An Employers Contribution rate of 16.4% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value of £371,000 is payable to the Local Government Pension Scheme which will be contained in a corporate budget. These rates were based on estimates made at the last valuation of the fund and will be confirmed by the pension provider in November 2014.
- A net salary/vacancy saving of 5% will be applied (5% in previous years). This will be across all service areas with the exception of senior management posts.

3.11.2 *Supplies and Services*

- Non contract – no increase
- For contracts it is anticipated that the average rate of RPI will be added to the Council's payments. As such a rate of 3% will be applied to 2014/2015 contractual costs which is in line with the MTFs but slightly higher than the most recent release (2.6% June 2014). Where budget holders have knowledge of price rises that differ, adjustments can be made to these budgets to reflect actual price changes.

3.11.3 *Fees and Charges*

Where an inflationary increase is called for, the contract rate of 3% will be used.

3.11.4 *Investment Income*

The Bank of England base rate is currently 0.5%. There is currently little prospect for an upward movement, with forecasts assuming this level will be frozen to manage quantitative easing. On this basis, an investment rate of 0.5% will be assumed for 2015/2016.

4. **FINANCIAL IMPLICATIONS (KP)**

Contained within the body of the report.

5. **LEGAL IMPLICATIONS (LH)**

These are contained in the report and any specific legal implications resulting from recommendations and actions outlined will be identified as they are implemented.

6. **CORPORATE PLAN IMPLICATIONS**

This Budget supports all aims of the Corporate Plan

7. CONSULTATION

All budget holders will be consulted in the Budget setting process.

8. RISK IMPLICATIONS

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

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.

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
S.11 - Failure to successfully deliver the Medium Term Financial Strategy	<p>The Ground Condition survey at Argents Mead which means that the cost of construction (and therefore cost to the Council) will increase by between £750,000 and £1m. Although provision was made of just over £500k from the 2013/14 under spend, the balance will need to be funded by temporarily borrowing internally from the Hub Rental reserve with a view to replenishing this reserve from in year savings in 2014/15 and from (if required) budgeted savings in 2015/16. This position was not reflected in the Council's MTFs which was approved by full Council in April/May 2014.</p> <p>A positive risk- negotiations on retention of business rates up lift from the MIRA EZ will probably mean that the Council retains at least 20% of up lift plus costs. This will be a positive movement in funding not included in the financial projections under pinning the MTFs</p>	Sanjiv Kohli

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The budget process will impact on all areas of the Borough and all groups within the population

10. **CORPORATE IMPLICATIONS**

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

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: Medium Term Financial Strategy

Contact Officer: Katherine Plummer, Head of Finance ext 5609

Executive Member: Cllr K Lynch

Agenda Item 13

Date of Meeting	Reports to be considered
15 th September	<ul style="list-style-type: none"> • ISA(260) (PwC) • Statement of Accounts and Annual Governance Statement 2013/2014 • Internal Audit Block Report (CWAudit) • Performance Management and Risk Framework 1st Quarter 2014/2015 • Fraud and Corruption Update • Service Review update – Corporate Services
3 rd November	<ul style="list-style-type: none"> • Treasury Management 2nd Quarter • Outturn 2nd Quarter • Aged debt 2nd Quarter 2014/2015 • Business Rates and Pooling update 2nd Quarter 2014/2015 • Annual Audit Letter 2013/2014 (PwC) • Service Review update – Street scene Services and Environmental Health
12 th January	<ul style="list-style-type: none"> • Internal Audit Block Report (CWAudit) • Performance Management and Risk Framework 2nd Quarter 2014/2015 • Service Review update - Resources (Finance, Asset Management, ICT, Revs and Bens)
23 rd February	<ul style="list-style-type: none"> • Treasury Management 3rd Quarter • Outturn 3rd Quarter • Aged debt 3rd Quarter 2014/2015 • Business Rates and Pooling update 3rd Quarter 2014/2015 • Internal Audit Plan 2015/2016 (CW Audit) • External Audit Plan 2014/2015 (PwC) • Annual Grants Certification Report 2013/2014 (PwC) • Service Review update - Housing and Community Safety
13 th April	<ul style="list-style-type: none"> • Internal Audit Block Report (CWAudit) • Fraud and Corruption update • Performance Management and Risk Framework 3rd Quarter 2014/2015 • Service Review Update - Cultural Services

Note: The draft 2015/2016 budgets will be considered on 29 January by the Scrutiny Commission, with FAP members invited to take full part in the debate.

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By virtue of paragraph(s) 2, 3, 7, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

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