



Hinckley & Bosworth
Borough Council

A Borough to be proud of

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.

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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

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The Council's Operations

The Council's management structure is documented within the Constitution and management structure chart. The Council's officers are led by the Strategic Leadership Board, made up of the Chief Executive (Head of Paid Services) 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

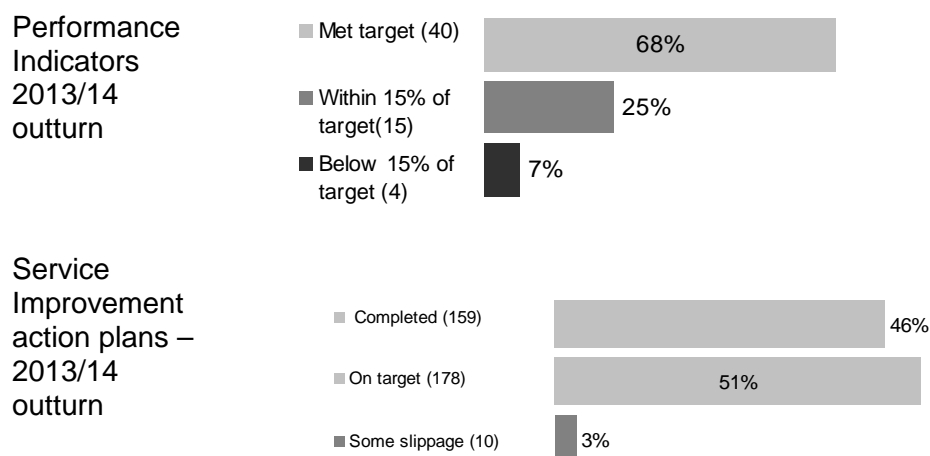
High sickness absence levels can have a detrimental effect on the delivery of council services. Effective sickness absence management ensures that the cost of sickness absence is kept at a minimum whilst improving capacity, service improvement and workforce morale. To provide context and to understand 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.

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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.

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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.

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

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Resources Available to Support Future Capital Expenditure

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

	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

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

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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

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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:

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

Publication of Accounts

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.

Movement in Reserves Statement

	General Fund Balance	General Fund Earmarked reserve	Housing Revenue Account	Earmarked HRA Reserves	Capital receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserve	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 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.

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*

<u>Housing Revenue Account:</u>							
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	2012/13
	£'000	£'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	2012/13
	£'000	£'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	2012/13
	£'000	£'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

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	2012/13
	£'000	£'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	2012/13
	£'000	£'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	2012/13
	£'000	£'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	2012/13
	£'000	£'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	2012/13
	£'000	£'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	2012/13
	£'000	£'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

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.

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.

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.

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>

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)

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)

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 Number of employees	2012/13 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.

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:

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

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 Unfunded	2013/14 Funded	2012/13 Unfunded	2012/13 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 Unfunded	2013/14 Funded	2012/13 Unfunded	2012/13 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

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.

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.

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.

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.

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	2012/13
	£'000	£'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	2012/13
	£'000	£'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.		

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	<p>Interest in land and/or buildings:-</p> <ul style="list-style-type: none"> a) in respect of which construction work and development has been completed; and b) which is held for its investment potential, any rental income being negotiated at arm's length.
Major Repairs Reserve	<p>A reserve created to deal with major repairs to HRA properties financed from the Major Repairs Allowance</p>
Minimum Revenue Provision (MRP)	<p>Minimum Revenue Provision is the minimum amount the Council is required to provide for the repayment of long-term debt used to finance the acquisition of Non Current Assets.</p>
National Non-Domestic Rates (NNDR)	<p>National Non-Domestic Rates (Business Rates) represents the rate of taxation on business properties. Central Government has the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax.</p>
Net Book Value	<p>The amount at which Non Current Assets are included in the Balance Sheet i.e. their historic cost or current value less the cumulative amounts provided for depreciation.</p>
Net Current Replacement Cost	<p>The cost of replacing or recreating the particular asset in its existing condition and existing use i.e. the cost of its replacement or the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.</p>
Net Realisable value	<p>The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses incurred in realising the asset.</p>
Non-Distributed Costs	<p>These are overheads for which no user benefits and therefore should not be apportioned to services.</p>
Non-Operational Assets	<p>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.</p>
Operating Leases	<p>A lease other than a finance lease.</p>
Operational Assets	<p>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.</p>

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>

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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

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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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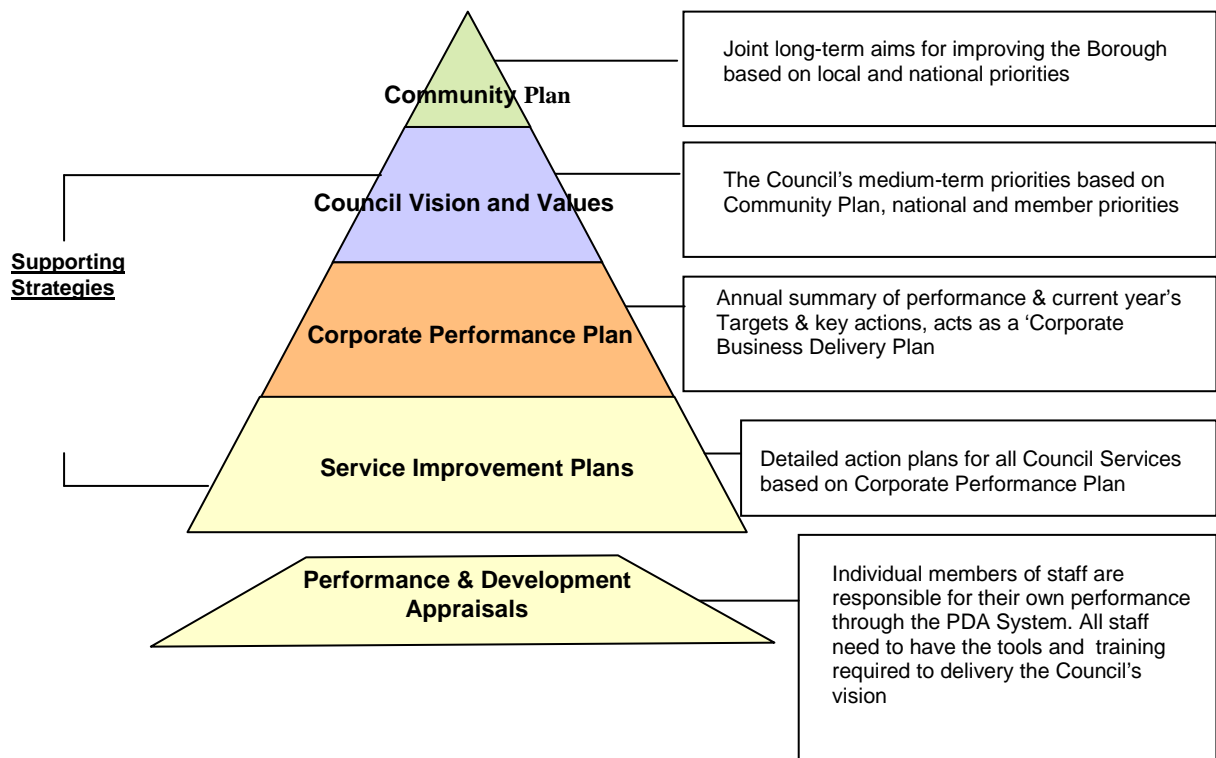
- Ensuring the authority's financial management arrangements confirm with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring the authority's assurance 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.

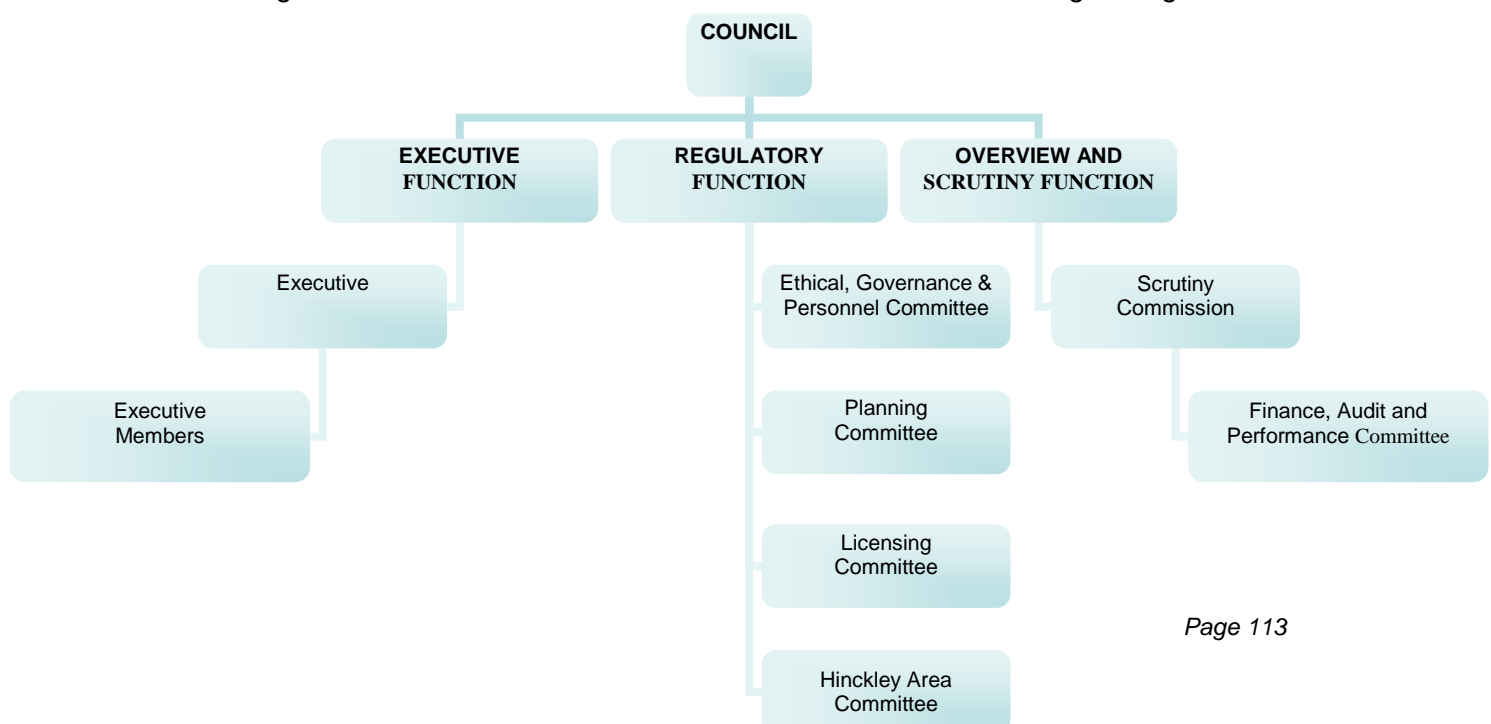
The Council's internal audit service has been outsourced to Coventry and Warwickshire Audit Services (CW Audit) for 2013/14. Internal audit delivers its work in accordance with best practice and complies with the requirements of the Government Internal Audit Standards, CIPFA Code and other relevant Consultative 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.

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Steve Atkinson MA(Oxon) MBA FioD FRSA
Chief Executive

Date.....

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Stuart Bray
Leader of the Council

Date