



**STATEMENT OF ACCOUNTS 2014/2015**  
**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**

**WARDS AFFECTED: ALL WARDS**

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1. PURPOSE OF REPORT

- 1.1 To present to the Committee, the Council's Statement of Accounts (the Statement) for 2014/2015 and to seek endorsement of the recommendation to Council to formally approve the Statement.

2. RECOMMENDATION

- 2.1 That the Committee review the Statement of Accounts (including the Annual Governance Statement) for the year 2014/2015 and endorse the Statement pending any final amendments authorised by the Section 151 Officer
- 2.2 That the Committee note the opinion on the Statement of Accounts as reported in the External Auditors "Report to those charged with governance (ISA (UK&I) 260)" contained elsewhere on this agenda.
- 2.3 That the Committee endorse the following recommendation to Council:

*That Council approve the Statement of Accounts for the year 2014/2015*

3. BACKGROUND TO THE REPORT

- 3.1 Under the terms of the Accounts and Audit Regulations 2011(repealed by the Audit and Accounts Regulations 2015 but applicable for the financial year 2014/15), each local authority is required to prepare a Statement of Accounts (the Statement) by 30<sup>th</sup> June following the end of the year to which they relate. This draft Statement is signed by the Section 151 Officer as being a "true and fair" representation of the Council's financial performance during the year and financial position at year end. This was achieved for 2014/2015 and the draft Statement was approved by the Deputy Chief Executive (Corporate Direction) ahead of this deadline.
- 3.2 The Accounts and Audit Regulations 2011 also requires that the Statement is approved by members and published by 30<sup>th</sup> September each year. Between June and September the Statement is subject to external audit and the auditors findings are outlined in their "Report to those charged with governance (ISA (UK&I) 260)" which is included on the agenda for this meeting.
- 3.3 The Statement has been prepared according to the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Statement has been prepared on the basis of International Financial Reporting Standards (IFRS).
- 3.4 The Statement comprises the following statements:
- Statement of Movements in Reserves
  - Comprehensive Income and Expenditure Statement
  - Balance Sheet
  - Cash Flow Statement

- Notes to the Financial Statement
- The Annual Governance Statement

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

- Housing Revenue Account
- Housing Repairs Account
- Collection Fund

3.5 The Council's Statement for 2014/2015 is appended to this report. This version may require minor amendments following the final review by external audit. Pending approval of recommendation 2.3, the final Statement will be approved and formally signed by the Deputy Chief Executive (Corporate Direction) and the Leader of the Council following Council approval on 15<sup>th</sup> September 2015. The completed Statement will be published on the Council's website and an advert placed in local press to advise of this.

#### Notable items in the Statement for 2014/2015

3.6 Material changes required by the Code or resulting from management decisions that have impacted the 2014/2015 Statement for this Council have been summarised below for reference:

<b><i>Change</i></b>	<b><i>Source of change</i></b>	<b><i>Impact</i></b>
<p><u>Business Rates Retention</u></p> <p>The Local Government Finance Act (2012) introduced the Business Rates Retention system from 1<sup>st</sup> April 2013. The 2013/2014 Statement therefore included a number of "new" entries and balances required to reflect the transactions and balances which have continued to be reflected in the 2014/2015 Statement.</p> <p>As part of the accounting treatment for Business Rates, the Council is required to make a provision (i.e. a liability) for appeals. In accordance with the relevant accounting guidelines, an appeal should be made for a liability which is "probable" and where the value of that liability can be reliably estimated.</p> <p>Following announcements in year regarding the potential for appeal claims to be backdated to 2010, a large influx of appeals were lodged nationally in the last quarter of 2014/2015. These required assessment for likelihood as part of the</p>	<p>Code/ Management Decision</p>	<p>The Statement includes the following significant balances and transactions relating to Business Rates Retention:</p> <ul style="list-style-type: none"> <li>• A £0.035million "levy" payment to the pool is shown within creditors to reflect 50% of the growth achieved in 2014/2015.</li> <li>• A £0.675 million grant received to compensate for Small Business Rates Relief is included in the Comprehensive Income and Expenditure Account and disclosed in note 31.</li> <li>• A provision of £0.336 million is disclosed in note 21 – this balance represents an estimate of the value of NNDR appeals that were lodged as at 31<sup>st</sup> March and may require settlement. This balance is 40% of the total estimate provision, in line with the applicable retention percentages. As part of this process the Council has reviewed in detail those large appeals that were lodged late in the year and has taken a judgement that these are not "probable" but rather speculative. Given the manner in which NNDR is accounted for, there is a minimal financial risk to this</li> </ul>

<p>calculation of the provision.</p>		<p>Council if these appeals were to be upheld.</p>
<p><u>Post Balance Sheet Events</u></p> <p>The Code requires that the impact and significance of any events that occur between the end of the reporting period and the date when the Statement is authorized for use are considered.</p> <p>An adjustment is made to the Statement where events provide evidence of conditions that existed at the end of the reporting period. Where events are only indicative of conditions, no adjustment is made but a disclosure is included where the impact is deemed material.</p>	<p>Management decision</p>	<p>The following transactions have been reflected as non-adjusting post balance sheet events in note 5 to the Statement:</p> <ul style="list-style-type: none"> <li>• Town Centre Redevelopment – the repayment of the loan to the Crescent developer and the subsequent repayment of this balance to lenders</li> <li>• NNDR Levy – the potential changes to levy calculations pending guidance to be issued from the Department for Communities and Local Government (DCLG)</li> </ul>
<p><u>Accounting for the Crescent Development</u></p> <p>The Council is currently undergoing the regeneration of the town centre in conjunction with a third party developer – the Tin Hat Regeneration Partnership Ltd.</p> <p>As part of this development, a number of material events have taken place in 2014/15. These include:</p> <ul style="list-style-type: none"> <li>• Payment of Compulsory Purchase Order (CPO) payments from the developer landowners on the site via the Council as the planning authority</li> <li>• Provision of a rolling loan facility to the developer by the Council</li> <li>• The Council’s involvement in the development of a new facility for Hinckley Squash and Racket Club, a previous tenant on the site.</li> </ul>	<p>Management decision</p>	<p>The following transactions/balances have been included in the Statement to reflect the transactions undertaken:</p> <ul style="list-style-type: none"> <li>• Compulsory Purchase Order (CPO) payments made from the developer to current land occupiers. (£5.029 million). As the Council is the legal procuring authority for CPOs and therefore the “agent”, no entries have been made in the Comprehensive Income and Expenditure Account for these amounts but rather they have been taken through the Balance Sheet. A debtor and creditor of £1.114million is included on the Balance Sheet as at 31<sup>st</sup> March 2015 to reflect those payments that have not yet been made and are therefore due from (debtor) the development for payment to (creditor) land owners</li> <li>• Transfer of car parking land held on the development site to the developer at no cost. The value of the land is £1.342million and therefore a loss of this value has been disclosed in the Comprehensive Income and Expenditure Account.</li> <li>• Provision of a £7million short term loan to the developer from the Council at a</li> </ul>

		<p>commercial rate of interest. In order to fund this loan the Council borrowed from another local authority. As at 31<sup>st</sup> March 2015, this loan was outstanding and therefore has been included in the balance sheet as both borrowing and an investment.</p> <ul style="list-style-type: none"> <li>• £0.871million of capital investment into the Squash Facility is included as capital expenditure in 2014/2015 which has been funded by CPO payments made to Squash Club. A creditor of £0.878million is also shown on the balance sheet reflecting the future expenditure that will be made to complete the development from the remaining CPO financing.</li> </ul>
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#### 2014/2015 Outturn

3.7 The draft outturn for 2014/2015 was reported to Council in July 2015. Following completion of the Statement of Accounts, it can be confirmed that the total under spend for the year is £1.503 million, resulting in closing General Fund balances of £1.148 million.

#### 4. FINANCIAL IMPLICATIONS [KP]

4.1 The cost of the statutory External Audit of the Statement for 2014/2015 is £66k as outlined in note 30 to the Statement.

The cost of advertising the audit and publication of the 2014/2015 Statement is £392 (actual) and £175 (estimated) respectively

#### 5. LEGAL IMPLICATIONS [MR]

5.1 The legal requirements for the Council are set out in the body of the report

#### 6. CORPORATE PLAN IMPLICATIONS

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

#### 7. CONSULTATION

7.1 The Statement is made available, as advertised for public inspection

#### 8. RISK IMPLICATIONS

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

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

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

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None directly		

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 No direct implications

10. CORPORATE IMPLICATIONS

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

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

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Background Papers: Civica Financial Files

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