



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

# Statement of Accounts



2014/2015

## EXPLANATORY *foreword*

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The Council's Statement of Accounts (the Statements) for the year ended 31st March 2015 are set out from page 27. The Statements have been prepared in accordance with the 2014/15 edition of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and International Financial Reporting Standards (IFRS). The Statements present the financial affairs of the Council in accordance with the Service Reporting Code of Practice (SeRCOP).

The Statements consist of:

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

These Statements are supported by accompanying notes.

## EXPLANATORY foreword

### The 2014/15 Outturn

The outturn for 2014/15 saw an improvement in the financial position of the Council compared with that anticipated when the Budget was prepared in the autumn of 2014. At the start of the financial year, due to early management direction on the need to find further in year efficiencies, the Council was able to make a contribution of £1,503,000 from General Fund balances to earmarked reserves to ensure availability of sufficient funds for future pressures and capital projects. Taking this/ other subsequent transfers into account, the total under spend for the Council at year end was £1,502,541. The main reasons for the variations were:-

- Additional income from planning applications
- Additional Council Tax and NNDR legal costs recovered
- Reduction in costs for planning documents
- Additional Income from recycling credits/ sales of materials
- 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.

A summary position to 31st March 2015 is set out below

	<b>Original Estimate £</b>	<b>Latest Estimate £</b>	<b>Out Turn £</b>
Central Services	2,969,918	3,674,605	2,908,956
Leisure & Environment	6,600,531	6,829,829	4,457,401
Housing (General Fund)	986,276	1,374,408	613,843
Planning	1,857,450	2,150,032	10,330,802
Direct Service Organisations	(115,500)	(141,795)	(243,238)
Regional Growth Funding Unapplied Grants	0	0	0
Further Savings Identified in Year	0	(2,190,000)	0
<b>Total Service Expenditure</b>	<b>12,298,675</b>	<b>11,697,079</b>	<b>18,067,764</b>
Special Expenses brought down	(616,940)	(616,940)	(617,189)
Capital Accounting Adjustment	(1,473,822)	(1,473,822)	(12,411,076)
Revenue Contributions to Capital	0	24,500	62,678
External Interest Paid /(Received)	2,490	58,040	656,657
IAS 19 Adjustment	(131,880)	(131,880)	(128,363)
Holiday Pay	0	0	13,264
Transfer to / (from) Pension Reserve	25,260	25,260	25,260
Transfer (from) / to carry forwards	0	(217,422)	(117,295)
Transfer (from) / to unapplied grants	0	(619,957)	2,349,148
Transfer to Reserves	280,500	3,743,178	4,812,361
Use of Reserves	(452,730)	(1,526,862)	(2,244,930)
Transfer (from) / to General Balances	(200,089)	(1,229,710)	(1,058,113)
<b>HBBC Budget Requirement</b>	<b>9,731,464</b>	<b>9,731,464</b>	<b>9,410,166</b>

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## The Council's Operations

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

The number of Council employees and elected members for 2014/15 and prior year are as follows:

<b>Service Area</b>	<b>31<sup>st</sup> March 2015</b>	<b>31<sup>st</sup> March 2014</b>
Corporate Direction	163	170
Community Direction	241	239
Chief Executives Office	6	6
Councillors	34	34
<b>Total Staff</b>	<b>444</b>	<b>449</b>

The Council sets a target for sickness absence on an annual basis for all staff. Outturn against this target for 2014/15 and the previous year was as follows:

<b>Target</b>	<b>Target</b>	<b>Outturn 2014/15</b>	<b>Outturn 2013/14</b>
Working Days Lost due to Sickness Absence	8 days	8.45 days	10.34 days

High sickness absence levels can have a detrimental effect on the delivery of council services. Effective sickness absence management ensures that the cost of sickness absence is kept at a minimum whilst improving capacity, service improvement and workforce morale. Sickness performance has improved in 2014/15 because a number of long term absentees have returned to the organisation. In addition, regular attendance management meetings are held by the Chief Executive with Chief Officers to understand the reasons for high levels of sickness.

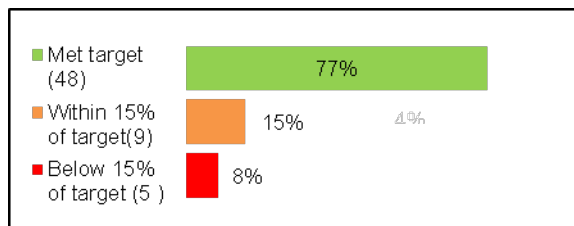
The democratic governance structure of the Council is set out in the Constitution and summarised within the Council's Annual Governance Statement. The Constitution sets out the essential elements of the democratic process including the role of Council, Executive and the Scrutiny function. The Constitution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

[http://www.hinckley-bosworth.gov.uk/info/100004/my\\_council/535/constitution\\_of\\_hinckley\\_and\\_bosworth\\_borough\\_council](http://www.hinckley-bosworth.gov.uk/info/100004/my_council/535/constitution_of_hinckley_and_bosworth_borough_council)

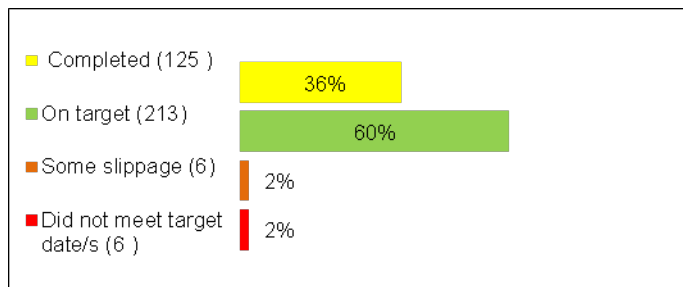
The Council's performance

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 service will achieve the corporate aims within a three year period. Plans are refreshed annually and progress against targets is managed through the TEN performance management system monthly. Performance reports are produced for service managers' team briefings monthly and Joint Boards on a quarterly basis. Individual staff performance is monitored through annual performance development assessments and biannual reviews. Performance reports are produced for the Finance Audit and Performance Committee quarterly, and annually in the Corporate Performance Plan. Action plans are in place for all performance indicators that have not been met and have been reported to the Finance Audit and Performance Committee as well as Joint Boards. Corporate level performance for the 2014/15 year was reported as follows:

Performance Indicators 2014/15 outturn



Service Improvement action plans – 2014/15 outturn



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

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## Material Changes

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

### Regional Growth Funding

The Council has been awarded Regional Growth Funding for works to the A5 and MIRA Enterprise Zone as follows:

- £13.995 million received in 2013/14
- £3.146 million received in 2014/15

The Council acts as the “accountable body” for these funds, transferring designated elements to third parties to perform capital/revenue work. As funding has not been spent in full in 2015/16, the balances are held on the Balance Sheet as at 31<sup>st</sup> March 2015:

	<b>£'000</b>
Cash – Balance of cash received (Note 16)	1,909
Unapplied Grants and Contributions – The conditions of the funding are deemed to have been met and therefore this balance represents unspent funds that will be incurred by Hinckley and Bosworth Borough Council in future years (Included in Note 7)	1,674
Short term payables – Representing unspent funds that will be transferred to third parties to spend (Note 20)	235

### 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.

As part of this development, a number of material transactions have taken place in 2014/15. These are:

- Compulsory Purchase Order (CPO) payments made from the developer to current land occupiers (£5.029 million). As the Council is the legal procuring agent for the CPOs the balance due to the Council from the developer as at 31<sup>st</sup> March 2015 of £1.11million is reflected as a debtor. The corresponding value of the payments payable to the land owners as at 31<sup>st</sup> March 2015 that offset the debtor (£1.11million) are reflected as creditors.
- 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.
- Provision of a £7million short term loan to the developer from the Council at a commercial rate of interest. In order to fund this loan the Council borrowed from another local authority.

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In relation to these transactions, the following material balances are held on the Balance Sheet as at 31<sup>st</sup> March 2015:

	<b>£'000</b>
Short term receivables (Note 19) – Representing the balance of CPO payments due from developers	1,114
Short term payables (Note 20) – Representing the balance of CPO payments due to land owners	1,114
Investments (Note 17)– The value of the loan made to the developer	7,000
Borrowing (Note 41) – The value of the Council’s borrowing to fund the loan to the developer	7,000

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### Accounting Policies

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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 2014/15.

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### Revenue Reserves

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Earmarked Revenue Reserves (General Fund and HRA)	4,112	6,000
General Fund Balance (including Special Expenses)	1,148	2,206
Housing Repairs Account	697	483
Housing Revenue Account	711	1,156
	<b>6,668</b>	<b>9,845</b>

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

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### Pension Costs

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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.

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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 31<sup>st</sup> March 2014.

Note 40 discloses a net pension liability of £38.603 million for the Council as at 31st March 2015 compared to £31.142 million at 1st April 2014. Under legislation the Council is required to charge to revenue each year the value of contributions payable to the LGPS administrator rather than the cost of service calculated by IAS 19. This is done by creating a Pensions Reserve that offsets the liability but is not usable other than to balance out the liability.

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

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

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### Capital Expenditure and Disposals

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Capital expenditure on Property, Plant and Equipment in 2014/15 was £20.879 million. Of this total £12.390 million relates to Revenue Expenditure Funded from Capital Under Statute (REFCUS), the majority being work funded by the Regional Growth Fund (£11.603 million).

The Council disposed of assets worth £2.041 million in year. £1.342 million related to car parks transferred as part of the town centre Crescent development.

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### Provisions, Contingencies and Write Offs

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The Balance Sheet contains provisions of £0.641 million as at 31<sup>st</sup> March 2015. As with previous years, this balance contains the capital cost of early retirement and future costs of redundancies that are probable in the forthcoming year. In addition, provisions have been disclosed in 2014/15 to provide for costs of legal cases that are likely to require settlement in 2015/16.

Under Business Rates Retention guidelines, the Council is required to make provisions for refunding ratepayers who have appealed against the rateable value of their property on the rating list and may be successful. A provision of £0.336 million has been estimated for this Council for 2014/15.

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 31<sup>st</sup> March 2015. These include potential outcomes of planning appeals and legal cases, as well as an acknowledgment that further business rates appeals may be lodged in 2015/16 relating to rateable values decided in 2014/15.

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

Write offs are processed by the Council on key income streams in line with the Debt Recovery Policy and also the Financial Procedure Rules. Total write offs for the 2014/15 year are summarised below. There were no single material write offs processed in year and all arose in the course of standard Council operations.



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	<b>2014/15</b> <b>£'000</b>
General Fund Write Offs	87
Housing Revenue Account Write Offs (including rents)	63
Collection Fund Write Offs	489
<b>Total Write Offs</b>	<b>639</b>

### Resources Available to Support Future Capital Expenditure

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

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Unapplied Grants and Contributions	3,849	12,072
Usable Capital Receipts Reserve	2,099	1,388
Deferred Capital Receipts	0	1,035
Earmarked Revenue Reserve for Future Capital Projects	9,452	7,036
<b>Total available resources</b>	<b>15,400</b>	<b>21,531</b>

The Council's Capital Programme is reviewed annually and new estimates are approved at the same time as the revenue budget. The current General Fund Capital Programme and funding implications for 2015/16 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).

	<b>2015/16</b> <b>£'000</b>	<b>2016/17</b> <b>£'000</b>	<b>2017/18</b> <b>£'000</b>
<i>Expenditure</i>			
Leisure and Environment	10,196	993	294
Planning	4,764	39	70
Central Services	253	445	75
Housing (General Fund)	345	365	365
<b>Expenditure Total</b>	<b>15,558</b>	<b>1,842</b>	<b>804</b>
<i>General Financing</i>			
Capital Receipts	214	40	431
Supported Borrowing	160	107	107
Unsupported Borrowing	463	857	127
Revenue Contribution to Capital	0	0	0
Contribution from reserves	370	132	139
<i>Leisure Centre Financing</i>			
Leisure Centre Reserve	0	0	0
Leisure Centre Capital Receipt	1,723	0	0
Leisure Centre Temporary Financing	3,236	0	0
Leisure Centre Borrowing	4,892	706	0
<i>Crescent Financing</i>			
Crescent Borrowing	4,500	0	0
<b>Financing Total</b>	<b>15,558</b>	<b>1,842</b>	<b>804</b>

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## Housing Revenue Account

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The financial statements of the Housing Revenue Account appear as an additional financial statement. In 2014/15 the Housing Revenue Account has a deficit £0.445 million compared with a deficit of £0.735million in 2013/14. 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 £0.214million in 2014/15 compared with a surplus of £0.241million in 2013/14.

The total of both the Housing Revenue Account and Housing Repairs account balances at 31st March 2015 was £1.408 million compared with £1.639million in 2013/14. The Housing Revenue Regeneration Reserve held a balance of £8.754 million and will be used to fund future Affordable Housing schemes.

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## Collection Fund – Council Tax

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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 2014/15, the Collection Fund collected £79.860 million from Council Tax and National Non Domestic Rates compared to £78.001 million in 2013/14. £0.489 million of this income was written off (£0.230 million in 2013/14).

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## Business Rates Pooling

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

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

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

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

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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. Due to uncertainties over Government policy changes and the level of potential appeal losses, the partners decided not to continue with the Pool in 2015/16, though the Pool will be reinstated in 2016/17.

The Collection Fund for Hinckley and Bosworth Borough Council shows that £27.276 million rates were collected, of which £27.575 million are subject to Business Rates Retention allocations. Based on this outturn, the Council has reflected £0.035 million of Business Rates growth within the General Fund, this is included as a creditor at year end.

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### External Borrowing

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As at 31st March 2015 the Council had total external borrowing of £77.952million which consisted of long-term borrowing from the Public Works Loan Board (PWLB) (£70.952million) and additional short term borrowing from another local authority of £7million which has in turn been lent to the Tin Hat Regeneration Partnership Ltd (further details are provided in the "Material Changes" section of this Foreword). The Council is currently able to raise finance using the following approved borrowing instruments and funding is acquired after comparing the various rates available to ascertain the cheapest source and the most appropriate period:

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

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

In 2014/15 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.

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### Direct Services Organisations (DSO)

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The Council operates three Trading Accounts:

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

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

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### Post Balance Sheet Event

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The Statement of Accounts were authorised for issue on September 15 2015 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 Ltd. In accordance with the Development Agreement held with the developer, a loan of £7million was made to the Tin Hat Regeneration Partnership in £1million tranches during 2014/15. This is due to be repaid by 31<sup>st</sup> July 2015. The Council borrowed £7million from the market to make these funds available which will be repaid following repayment by the developer.

#### Business Rates Safety Net

The DCLG are intending to amend the Levy and Safety Net Regulations to adjust the formula for calculating retained rates income, being the income figure against which the safety net threshold or funding baseline is compared to determine safety net or levy position respectively. The changes will apply to the final calculations of levy and safety net made in respect of 2014/15 and will bring in prior year adjustments for Small Business Rate Relief and ‘other’ reliefs (localism act reliefs and discretionary reliefs funded by S31). The prior year adjustments will be included back to 2013/14 for those compensated reliefs that existed in 2013/14 and back to the date of creation for those that came later.

The Statement of Accounts and notes have not been adjusted for these transactions which took place after 31st March 2015 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.

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### The Current Economic Climate and Medium Term Financial Strategy

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The current economic climate is acknowledged to indirectly impact on the Council’s financial standing as follows:

- Potential reduction of income streams and likely increases in bad debt and write offs as a result.
- Increase in the call on demand lead services such as benefits payments and homelessness.
- Reduction in the level of income from Council investments.
- A fall in the economic value of assets and potential capital receipts for disposals.

The Council’s Medium Term Financial Strategy sets out the financial planning framework for the Council and shows how national, regional, sub-regional and local issues such as those detailed above are taken into account in planning the resources available for service delivery. Financial planning is essential and enables the Council to set objectives and priorities, turn policy decisions into programmes of action, decide how to best allocate the resources available and review results so that learning feeds back into the decision-making process.

The ongoing impact of austerity measures enacted by Government means that local government budgets have been and will continue to be radically reduced due to cuts in central government funding and local reductions in traditional income streams. Changes in local government financing, means that significant risks of funding of local services have been passed over by central government to local government through the changes to Business Rates Retention (BRR), localisation of Council Tax support (LCTS) and New Homes Bonus. That said,

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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 in 2015/2016 of £345,000 with an additional pressure of up to £500,000 in 2016/17. 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 impact of economic pressures on the local tax payer has meant a commitment to freeze council tax. This Council has frozen council tax since 2011/12. Whilst this is beneficial for the tax payer, it has caused "erosion" to the council tax base of this Council and reduced the potential spending power by over £0.8million. This, together with the desire of the Council to minimise increases in fees and charges (e.g. car parking), and reluctance to introduce new fees and charges (e.g. green waste) to assist local residents and businesses means that the Council's budgets continue to be under pressure.

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

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

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### Publication of Accounts

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These accounts were approved for publication on 15<sup>th</sup> September 2015 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, CPFA, BSc(Hons)  
Deputy Chief Executive (Corporate Direction)

# STATEMENT OF *accounting* POLICIES

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## General Principles

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The Statement of Accounts (the Statements) summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15 (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 2014/15 financial year.

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

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

- Understandability
- Relevance
- Materiality
- Reliability
- Comparability

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## Revenue Recognition

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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.

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## Value Added Tax (VAT)

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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.

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## Segmental Reporting - Amounts Reported for Resource Allocation Decisions

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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

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### Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Expenditure is accrued where goods or services have been received before 31<sup>st</sup> March but the invoice relating to the goods and services is paid after 31<sup>st</sup> 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.

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### Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors

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Prior year 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 year 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 year as if the new policy had always been applied.

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

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.

## STATEMENT OF *accounting* POLICIES

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### Interest Income and Expenses

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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.

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### Allocation of Overheads and Support Services

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The CIPFA Service Reporting Code of Practice 2014/15 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. In the case of these exceptions, the total costs are accounted for as separate headings in the Comprehensive Income and Expenditure Account.

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

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

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### Government Grants and Contributions

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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

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### Revenue Expenditure funded from Capital under Statute

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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.

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### Investment Properties

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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 and posted to the Capital Adjustment Account. For any sale proceeds greater than £10,000, these receipts are posted to the Capital Receipts Reserve.

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### Charges to Revenue for Non-current Assets

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

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

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

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### Property, Plant and Equipment – Recognition and Impairment

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

#### Recognition

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

Assets are initially measured at cost, comprising:

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

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 to be 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. For March 2015 a desktop valuation was carried out by Wilks Head and Eve LLP.

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

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

## STATEMENT OF *accounting* POLICIES

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### Property, Plant and Equipment – Depreciation, Impairment and Disposal

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#### 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.

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

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

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

#### Disposal

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

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

## STATEMENT OF *accounting* POLICIES

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### Depreciation and Impairment (continued)

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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

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

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

### Heritage Assets

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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 deterioration of the assets. All heritage assets held by the Council are deemed to have indefinite lives and therefore are not depreciated. Any disposal of assets will be treated in the same manner as other Property, Plant and Equipment.

## STATEMENT OF *accounting* POLICIES

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### Borrowing Cost

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

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### Cash and Cash Equivalents

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

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

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### Assets Held for Sale

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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 31<sup>st</sup> 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 are separately disclosed.

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### Leases

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Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the plant, property or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of minimum lease payments if lower). 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

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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.

## STATEMENT OF *accounting* POLICIES

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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.

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.

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### Provisions

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

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

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

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### Inventories

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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.

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### Reserves

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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 and are explained in the relevant policies.

## STATEMENT OF *accounting* POLICIES

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### Item 8 Housing Credit

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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.

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### Contingent Assets and Liabilities

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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.

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### Related Party Transactions

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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.

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### Jointly Controlled Operations and Jointly Controlled Assets

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

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

## STATEMENT OF *accounting* POLICIES

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### Employee Benefits – Benefits Payable During Employment

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

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### Employee Benefits – Termination Benefits

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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.

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### Employee Benefits – Post-employment Benefits

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

The liabilities of the LGPS pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – 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



## STATEMENT OF *accounting* POLICIES

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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

Remeasurements of the scheme are split between:

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

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

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### Employee Benefits – Discretionary Benefits

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

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### Accounting for Precept and NNDR

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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

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### Financial Instruments

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#### Financial Liabilities

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

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

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### Events after the Reporting Period

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

Two types of events can be identified:

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

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

## STATEMENT OF *Responsibilities*

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### The Council's Responsibilities

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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.

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### The Deputy Chief Executive (Corporate Direction)'s Responsibilities

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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 2015.

S. Kohli ACA, CPFA, BSc(Hons)

Cllr M Hall

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

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### The Movement in Reserves Statement

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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

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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

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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

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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
<b>Balance at 31st March 2013 carried forward</b>	<b>1,767</b>	<b>5,410</b>	<b>1,890</b>	<b>3,258</b>	<b>1,604</b>	<b>46</b>	<b>2,950</b>	<b>16,925</b>	<b>29,657</b>	<b>46,582</b>
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)
<b>Total Comprehensive Income and Expenditure</b>	<b>8,375</b>	<b>0</b>	<b>6,721</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,096</b>	<b>(1,196)</b>	<b>13,900</b>
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
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,500</b>	<b>0</b>	<b>3,071</b>	<b>0</b>	<b>(218)</b>	<b>(46)</b>	<b>9,124</b>	<b>13,431</b>	<b>484</b>	<b>13,915</b>
Transfers (from)/to Earmarked Reserves (Note 7)	(1,061)	1,062	(3,805)	3,789	0	0	0	(15)	0	(15)
<b>(Decrease)/Increase in Year</b>	<b>439</b>	<b>1,062</b>	<b>(734)</b>	<b>3,789</b>	<b>(218)</b>	<b>(46)</b>	<b>9,124</b>	<b>13,416</b>	<b>484</b>	<b>13,900</b>
<b>Balance at 31st March 2014 carried forward</b>	<b>2,206</b>	<b>6,472</b>	<b>1,156</b>	<b>7,047</b>	<b>1,386</b>	<b>0</b>	<b>12,074</b>	<b>30,341</b>	<b>30,141</b>	<b>60,482</b>
Surplus or (deficit) on the provision of services	(12,041)	0	23,775	0	0	0	0	11,734	0	11,734
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(6,705)	(6,705)
<b>Total Comprehensive Income and Expenditure</b>	<b>(12,041)</b>	<b>0</b>	<b>23,775</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,734</b>	<b>(6,705)</b>	<b>5,029</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	9,949	0	(21,587)	0	713	0	(8,226)	(19,151)	19,151	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,092)</b>	<b>0</b>	<b>2,188</b>	<b>0</b>	<b>713</b>	<b>0</b>	<b>(8,226)</b>	<b>(7,417)</b>	<b>12,446</b>	<b>5,029</b>
Transfers to/(from) Earmarked Reserves (Note 7)	1,034	(1,034)	(2,632)	2,632	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>(1,058)</b>	<b>(1,034)</b>	<b>(444)</b>	<b>2,632</b>	<b>713</b>	<b>0</b>	<b>(8,226)</b>	<b>(7,417)</b>	<b>12,446</b>	<b>5,029</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>1,148</b>	<b>5,438</b>	<b>712</b>	<b>9,679</b>	<b>2,099</b>	<b>0</b>	<b>3,848</b>	<b>22,924</b>	<b>42,587</b>	<b>65,511</b>

## CORE Financial STATEMENTS

### Comprehensive Income and Expenditure Statement

2013/14			2014/15			
Gross Expenditure	Gross Income	Expenditure / (Income)		Gross Expenditure	Gross Income	Expenditure / (Income)
£000	£000	£000	Note	£000	£000	£000
2,575	(861)	1,714		2,048	(1,494)	554
5,314	(1,458)	3,856		5,840	(2,031)	3,809
4,075	(2,161)	1,914		5,504	(2,823)	2,681
0	(10,534)	(10,534)		10,534	(1,673)	8,861
21,641	(19,322)	2,319		19,650	(19,037)	613
2,397	(1,296)	1,101		2,735	(1,456)	1,279
1,062	(143)	919		1,153	(284)	869
2,159	(2,651)	(492)		3,510	(2,656)	854
4,672	(13,083)	(8,411)		(12,291)	(13,365)	(25,656)
<b>43,895</b>	<b>(51,509)</b>	<b>(7,614)</b>		<b>38,683</b>	<b>(44,819)</b>	<b>(6,136)</b>
1,763	(272)	1,491	8	3,220	0	3,220
5,147	(2,293)	2,854	9	6,065	(3,459)	2,606
177	(12,004)	(11,827)	10	35	(11,459)	(11,424)
<b>50,982</b>	<b>(66,078)</b>	<b>(15,096)</b>		<b>48,003</b>	<b>(59,737)</b>	<b>(11,734)</b>
		(3,550)	11			652
		4,746	40			6,053
		<b>1,196</b>				<b>6,705</b>
		<b>(13,900)</b>				<b>(5,029)</b>

# CORE Financial STATEMENTS

## The Balance Sheet

<b>31st March 2014 £000</b>		<b>Notes</b>	<b>31st March 2015 £000</b>
144,277	Property, Plant and Equipment	11	164,671
121	Heritage Assets	13	121
9,483	Investment Property	12	10,113
375	Intangible Assets	14	253
189	Long Term Receivables	18	152
<b>154,445</b>	<b>Long Term Assets</b>		<b>175,310</b>
0	Short Term Investments	17	10,650
8	Inventories	15	6
6,742	Short Term Receivables	19	7,082
19,320	Cash and Cash Equivalents	16	9,771
<b>26,070</b>	<b>Current Assets</b>		<b>27,509</b>
(788)	Cash and Cash Equivalents	16	(253)
0	Short term Borrowing	41	(7,000)
(6,487)	Short Term Payables	20	(9,506)
(322)	Short Term Provisions	21	(641)
<b>(7,597)</b>	<b>Current Liabilities</b>		<b>(17,400)</b>
(944)	Long Term Payables	20	(1,243)
(70,952)	Long Term Borrowing	41	(70,952)
(40,529)	Other Long Term Liabilities	22	(47,702)
(11)	Capital Grants Received in Advance	31	(11)
<b>(112,436)</b>	<b>Long Term Liabilities</b>		<b>(119,908)</b>
<b>60,482</b>	<b>Net Assets</b>		<b>65,511</b>
30,341	Usable Reserves	23	22,924
30,141	Unusable Reserves	24	42,587
<b>60,482</b>	<b>Total Reserves</b>		<b>65,511</b>



## CORE Financial STATEMENTS

### The Cash Flow Statement

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

2013/14 £'000		Note	2014/15 £'000
<b>15,096</b>	<b>Net surplus or (deficit) on the provision of services</b>		<b>11,734</b>
3,857	Adjustments to net surplus or deficit on the provision of services for non cash movements		(10,334)
(9,054)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(581)
<b>9,899</b>	<b>Net Cash flows from Operating Activities</b>		<b>819</b>
2,808	Investing Activities	26	(17,163)
(970)	Financing Activities	27	7,330
<b>11,737</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(9,014)</b>
6,795	Cash and Cash Equivalents at the beginning of the reporting year		18,532
<b>18,532</b>	<b>Cash and cash equivalents at the end of the reporting year</b>	16	<b>9,518</b>

### 1. Accounting Standards Issued But Not Yet Adopted

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

- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRSs (2011 – 2013 Cycle)
- IFRIC 21 Levies

### 2. Critical Judgements in Applying Accounting Policies

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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 or reduce levels of service provision.
- The Code gives strict criteria for assets held as Investment Properties. For the Council, those assets which are held for rental purposes are classified as investment properties. The Council's Atkin's building has been deemed as an operational asset on the basis that it is used to a material extent to carry out Council operations.
- The Council has reviewed the arrangements in place for operation of the Leicestershire Partnership – Revenues and Benefits. The Joint Committee has been classified as a 'Jointly Controlled Operation' on the basis that it is not a separate legal entity and has been accounted for in line with the Council's Accounting Policies for these arrangements.
- The Council has been awarded Regional Growth Funds (RGF) for the development of the MIRA Enterprise Zone and surrounding road networks. Elements of this funding are spent directly by the Council with other amounts transferred to key partners to fund the project. The treatment of this funding has been reviewed in line with IAS18 and it has been judged that the Council is acting as a 'principal' in respect of directly incurred expenditure and an 'agent' for expenditure incurred by partners. Where the Council is acting as the 'principal', expenditure has been shown in the relevant line within the Comprehensive Income and Expenditure account and income has been treated as a "grant" and in accordance with the Council's accounting policies for these arrangements. Payments made as the 'agent' have been passed through the Balance Sheet. The nature of all balances relating to this scheme are outlined in the Explanatory Foreword.
- In order to transfer the land held on the Crescent site to developers, a number of Compulsory Purchase Orders (CPO's) have taken place. On the basis that the Council is legally obliged to transfer land to the developer and has no rights over land during the transfer (which occurs simultaneously), no capital entries have been made with regards to these transactions. All transactions have been reflected as agency transactions in the balance sheet with corresponding debtors and creditors for payments not yet made. As part of this development, the Council has made a capital investment of £4.5million in 2015/16 to acquire a designated block (Block C). Whilst the legal title of this land has been transferred to the Council following the CPO, the Council is legally contracted to allow for the development of Block C on this land. On this basis it is deemed the Council has no control over the use of land until completion and therefore the value of the land has not been reflected in the Balance Sheet in 2014/15. Upon completion and transfer, the site will be valued and reflected in the Statement of Accounts. The nature of all transactions and balances relating to this scheme are outlined in the Explanatory Foreword.

## NOTES TO THE *Core Financial Statements*

- Hinckley Squash & Rackets Club's former site is being developed on as part of the Bus Station Development. The club has received a CPO development receipt from the sale. This income has been forwarded to the Council to build a new squash facility. Once the build is completed the facility will be leased back to the club. As at 31/03/2015, the property's construction is not completed. Once the facility is built, substantial risks and rewards pass to the Squash Club. This is based on the fact that there is a purchase option held by the Council under the contract which is significantly below the market value of the land in 125 years time. When the asset is ready for use, a finance lease will commence and the asset will be de-recognised. The liability to the Club will be extinguished, and any difference between the cost of building the asset and the proceeds from the Squash Club taken to the CIES as a gain /loss.
- Included in the provisions held on the Balance Sheet is a Balance for £0.336 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 2015 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 or rejected (i.e. because they are deemed speculative based on the date of application) have not been provided for in full
  2. Appeals that have been assessed as likely to be settled after the 1 April 2016 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 31<sup>st</sup> March 2015 for which there a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Property Plant and Equipment are reviewed for both economic and price impairment on an annual basis. Any movement in market value of property will have any impact on the Council's valuation.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for the property would increase by £0.063million 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</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"> <li>• A decrease in the discount</li> </ul>

## NOTES TO THE *Core Financial Statements*

	<p>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>rate assumption would result in an increase in pension liability.</p> <ul style="list-style-type: none"> <li>• A one year increase in member life expectancy would result in an increase in pension liability.</li> <li>• An increase in the pension rate would result in an increase in pension liability.</li> <li>• A 1% increase in the pension liability would decrease the Council's net assets by £0.386million</li> </ul>
Arrears	<p>At 31<sup>st</sup> March 2015, the Council had a balance of £2.197 million for sundry "general" debtors. A review of balances suggested that an impairment of doubtful debts of £0.278million was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.278million to be set aside as an allowance.</p>
Provisions and Contingent Liabilities	<p>The Council has made provisions of £0.641 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 £0.077million to the provision needed. The judgements used in estimating the appeals provision included in this balance have been detailed in note 2.</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 £3.075million excluding CPO balances) of 25% would mean that an additional £0.769 million would be taken to service accounts.</p>

### 4. Material Items of Income and Expenses

Transactions relating to the Regional Growth Fund (RGF), whilst not material in 2014/15 have been detailed separately in order to provide a comparison to the exceptional item disclosed in 2013/14.

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

## NOTES TO THE *Core Financial Statements*

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The Statement of Accounts were authorised for issue on xx xxxx 2015 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 as 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 in £1million tranches during 2014/15. This is due to be repaid by 31<sup>st</sup> July 2015. The Council borrowed £7million from the market to make these funds available which will be repaid following repayment by the developer.

### Business Rates Safety Net

The DCLG are intending to amend the Levy and Safety Net Regulations to adjust the formula for calculating retained rates income, being the income figure against which the safety net threshold or funding baseline is compared to determine safety net or levy position respectively.

The changes will apply to the final calculations of levy and safety net made in respect of 2014/15 and will bring in prior year adjustments for Small Business Rate Relief and 'other' reliefs (localism act reliefs and discretionary reliefs funded by S31). The prior year adjustments will be included back to 2013/14 for those compensated reliefs that existed in 2013/14 and back to the date of creation for those that came later.

The Statement of Accounts and notes have not been adjusted for these transactions which took place after 31st March 2015 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

## NOTES TO THE *Core Financial Statements*

### 6. Adjustments between Accounting Basis and Funding Basis under Regulation

**2014/15**

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Capital Adjustment Account</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Charges for depreciation/amortisation of non current Assets	(1,409)	(3,019)	0	0	0	4,428
Revaluation (losses)/gains on Property Plant and Equipment	(1,924)	20,871	0	0	0	(18,947)
Movement in the market value of Investment Properties	810	0	0	0	0	(810)
Revenue expenditure funded from capital under statute	(12,390)	0	0	0	0	12,390
Capital Expenditure Financed from Unapplied Grants and Contributions	1,291	0	0	0	0	(1,291)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,642)	(576)	0	0	0	2,218
Capital expenditure Charged to Fund Balances	63	0	0	0	0	(63)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Statutory provision for the financing of capital investment	889	0	0	0	0	(889)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,366	0	0	0	(2,366)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	3,619	1,441	0	0	0	(5,060)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	10,592	(10,592)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		764	(767)	0	0	3
Transfer from Deferred Capital Receipt	0	0	(1,035)	0	0	1,035
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(317)	0	317	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	772	0	0	(772)
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	2,124	0	(2,124)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,124	0	(2,124)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,867)	(290)	0	0	0	3,157
Employer's Pension contributions and direct payments to pensioners payable in the year	1,483	266	0	0	0	(1,749)
Capital Cost of Early Retirement	25	4	0	0	0	(29)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	78	0	0	0	0	(78)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(42)	0	0	0	0	42
<b>Adjustment involving the Accumulated Absences Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	2	0	0	0	(17)
<b>Adjustment involving the Financial Instruments Adjustment Account</b>						
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)
<b>TOTAL ADJUSTMENTS</b>	<b>(9,949)</b>	<b>21,587</b>	<b>(713)</b>	<b>0</b>	<b>8,226</b>	<b>(19,151)</b>

**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
<b>Adjustment primarily involving the Capital Adjustment Account</b>						
<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)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account</b>						
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)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
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 Repairs 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)
<b>Adjustment involving the Major Repairs Reserve</b>						
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)
<b>Adjustments involving the Pensions Reserve:</b>						
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)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
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
<b>Adjustment involving the Accumulated Absences Adjustment Account:</b>						
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)
<b>Adjustment involving the Financial Instruments Adjustment Account</b>						
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)
<b>TOTAL ADJUSTMENTS</b>	<b>6,875</b>	<b>3,650</b>	<b>218</b>	<b>46</b>	<b>(9,124)</b>	<b>(1,665)</b>

## 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 2014/15. In addition the note outlines balances of unapplied grants and contributions.

	Balance at 31st March 2013	Transfers out 2013/14	Transfers in 2013/14	Balance at 31st March 2014	Transfers out 2014/15	Transfers in 2014/15	Balance at 31st March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
Commutation and Feasibility	167	(41)	0	126	(100)	0	26
Benefits	480	(274)	51	257	(115)	0	142
Local Plan Procedure	481	(119)	0	362	(499)	661	524
Historic Buildings	14	(14)	0	0	0	0	0
Land Charges	264	(45)	0	219	(219)	0	0
Pensions Contributions	49	0	85	134	0	28	162
Building Control	134	(134)	0	0	0	0	0
Waste Management	317	(54)	0	263	(106)	485	642
ICT	212	0	0	212	0	0	212
Project Management/Masterplan	333	(130)	0	203	0	1,423	1,626
Shared Services	74	(74)	0	0	0	0	0
Housing and Planning Delivery Grant	129	(68)	0	61	(11)	0	50
Flexible Working	15	(15)	0	0	0	0	0
New Performance Improvement Set	8	(8)	0	0	0	0	0
Housing Energy Certificate Training	11	(11)	0	0	0	0	0
Finance Capacity Fund	22	(22)	0	0	0	0	0
Workforce Strategy	13	0	0	13	0	0	13
Elections	87	0	0	87	0	25	112
Grounds Maintenance Machinery Replacement	84	(25)	0	59	0	0	59
Transformation	50	(21)	0	29	(173)	250	106
Relocation	337	(406)	170	101	0	0	101
Modern.Gov	2	(2)	0	0	0	0	0
Greenfields	19	(19)	0	0	0	0	0
Special Expenses	151	(8)	175	318	(81)	64	301
Carry Forwards	139	(139)	217	217	(217)	100	100
Hub Future Rental Management	250	(85)	750	915	(1,183)	268	0
Business Rates Pooling	110	0	60	170	0	0	170
Leisure Centre	1,353	(27)	1,325	2,651	(3,369)	1,416	698
Community Safety	3	(3)	0	0	0	0	0
Troubled Families	60	(30)	0	30	(30)	0	0
Hinckley Club for Young People	5	0	0	5	0	0	5
Development Control	40	(40)	0	0	0	0	0
Customer Services	0	(11)	11	0	0	0	0
Market Income Management	0	0	15	15	0	0	15
Car Parking Income	0	0	25	25	0	0	25
Appeals	0	0	0	0	(49)	221	172
Enforcement	0	0	0	0	(40)	134	94
Planning Capacity	0	0	0	0	(17)	100	83
City Deals	0	0	0	0	(16)	16	0
<b>Total Earmarked Reserves</b>	<b>5,413</b>	<b>(1,825)</b>	<b>2,884</b>	<b>6,472</b>	<b>(6,225)</b>	<b>5,191</b>	<b>5,438</b>
Unapplied Grants and Contributions	2,925	(2,058)	11,169	12,036	(10,756)	2,561	3,841
<b>Total General Fund</b>	<b>8,338</b>	<b>(3,883)</b>	<b>14,053</b>	<b>18,508</b>	<b>(16,981)</b>	<b>7,752</b>	<b>9,279</b>

## NOTES TO THE *Core Financial Statements*

<b>Housing Revenue Account:</b>							
HRA Piper Balance	137	(12)	10	135	(7)	10	138
HRA Communal Furniture	4	0	0	4	0	0	4
HRA Housing Repairs Account	242	0	241	483	0	214	697
Regeneration	2,834	(389)	1,940	4,385	(1,425)	5,794	8,754
Repayment	0	0	1,900	1,900	(1,900)	0	0
Pension Contributions	0	0	29	29	0	0	29
Service Improvement	0	0	0	0	0	50	50
HRA Carry forwards	34	(34)	111	111	(111)	3	3
<b>Total HRA Earmarked Reserves</b>	<b>3,251</b>	<b>(435)</b>	<b>4,231</b>	<b>7,047</b>	<b>(3,443)</b>	<b>6,071</b>	<b>9,675</b>
HRA Unapplied Grants and Contributions	31	(25)	30	36	(29)	0	7
<b>Total Housing Revenue Account</b>	<b>3,282</b>	<b>(460)</b>	<b>4,261</b>	<b>7,083</b>	<b>(3,472)</b>	<b>6,071</b>	<b>9,682</b>
<b>TOTAL</b>	<b>11,620</b>	<b>(4,343)</b>	<b>18,314</b>	<b>25,591</b>	<b>(20,453)</b>	<b>13,823</b>	<b>18,961</b>

### **Earmarked Reserves General Fund**

#### **Commutation and Feasibility Reserve**

The Council has been applying the commutation adjustment to reduce its Minimum Revenue Provision (MRP), but prospective increases in the capital financing requirement and a reducing commutation adjustment means that there will be a progressive increase in future MRP.

Proposed capital projects often need feasibility studies before final commitment can be made to a project. This reserve will also be used to cater for each of these requirements.

#### **Benefits Reserve**

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

#### **Hub Future Rental Management Reserve**

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

#### **Special Expenses Reserve**

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

#### **Local Plan Procedure Reserve**

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

#### **Business Rates Pooling Reserve**

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

#### **Relocation Reserve**

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

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7. Transfers To/From Earmarked Reserves (continued)

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**Leisure Centre Reserve**

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

**Carry Forwards Reserve**

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

**Troubled Families Reserve**

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

**Land Charges Reserve**

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

**ICT Reserve**

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

**Waste Management Reserve**

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

**Project Management/Masterplan Reserve**

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

**Housing and Planning Delivery Grant Reserve**

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

**Workforce Strategy Reserve**

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

**Elections Reserve**

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

**Grounds Maintenance Machinery Replacement Reserve**

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

**Pensions Contributions Reserve (General Fund and HRA)**

This reserve has been created to meet future potential increases in 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.

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7. Transfers To/From Earmarked Reserves (continued)

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**City Deals**

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

**Hinckley Club for Young People Reserve**

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

**Market Income Management Reserve**

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

**Car Parking Income Reserve**

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

**Appeals Reserve**

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

**Enforcement Reserve**

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

**Planning Capacity**

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

**Earmarked Reserves Housing Revenue Account**

**Piper Balance Reserve**

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

**Communal Furniture Reserve**

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

**Housing Repairs Account Reserve**

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

**Regeneration Reserve**

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

**Repayment Reserve**

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

**Service Improvement Reserve**

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

## NOTES TO THE *Core Financial Statements*

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### 8. Other Operating Expenditure

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	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
(Gain)/ Losses on disposal of Non Current Assets	1,454	(272)
Amounts due to Precepting Authorities	1,454	1,426
Contribution to Housing pooled Capital Receipts	312	337
<b>Total</b>	<b>3,220</b>	<b>1,491</b>

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### 9. Financing and Investment Income and Expenditure

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	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and similar charges *	2,926	2,794
Pension Interest Costs (see note 40)	3,139	2,908
Net Surplus of Undertakings (see note 28)	(646)	(484)
Interest and Investment Income	(204)	(68)
Expected return on pension assets (see note 40)	(1,799)	(1,774)
Revaluation of Investment Properties	(810)	(522)
<b>Total</b>	<b>2,606</b>	<b>2,854</b>

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\* - Interest payable in 2014/15 includes £2.088 million interest on HRA self financing loans

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### 10. Taxation and Non Specific Grant Income

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	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Demand on Collection Fund	(5,349)	(5,276)
Balance on Collection Fund	227	(2)
Revenue Support Grant	(1,961)	(3,001)
National Non Domestic Rates	(2,240)	(1,991)
New Homes Bonus	(1,402)	(1,042)
Council Tax Freeze Grant	(189)	(147)
Council Tax Support Grant	(545)	(545)
National Non Domestic Rates – Levy Payment	35	177
<b>Total</b>	<b>(11,425)</b>	<b>(11,827)</b>

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## NOTES TO THE *Core Financial Statements*

### 11. Property, Plant and Equipment

#### 2014/15

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

## NOTES TO THE *Core Financial Statements*

### 11. Property, Plant and Equipment (continued)

#### **2013/14**

	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
<b>Cost or valuation</b>								
At 1st April 2013	105,576	14,478	9,438	2,011	4,194	0	287	135,984
Additions	3,033	9,019	695	0	175	0	36	12,958
Revaluation								
Increases/(decreases) recognised in the Revaluation Reserve	0	3,544	0	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	0	2,149
Derecognition -Disposals	(921)	(148)	0	0	0	0	0	(1,069)
Other Movements in the cost of valuation	(2,978)	(131)	0	0	0	0	(286)	(3,395)
<b>At 31st March 2014</b>	<b>107,889</b>	<b>25,732</b>	<b>10,133</b>	<b>2,011</b>	<b>4,369</b>	<b>0</b>	<b>37</b>	<b>150,171</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2013	0	0	(4,529)	(670)	0	0	0	(5,199)
Depreciation Charge	(2,978)	(439)	(640)	(55)	0	0	0	(4,112)
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	2,978	439	0	0	0	0	0	3,417
<b>At 31st March 2014</b>	<b>0</b>	<b>0</b>	<b>(5,169)</b>	<b>(725)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,894)</b>
<b>Net Book Value</b>								
<b>At 31<sup>st</sup> March 2014</b>	<b>107,889</b>	<b>25,732</b>	<b>4,964</b>	<b>1,286</b>	<b>4,369</b>	<b>0</b>	<b>37</b>	<b>144,277</b>
<b>At 31<sup>st</sup> March 2013</b>	<b>105,576</b>	<b>14,478</b>	<b>4,909</b>	<b>1,341</b>	<b>4,194</b>	<b>0</b>	<b>287</b>	<b>130,785</b>



### 11. Property, Plant and Equipment (continued)

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#### **Depreciation**

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

<b>Asset Classification</b>	<b>Basis of Depreciation</b>
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 2015. Depreciation is based upon the updated residual lives of revalued properties.
Vehicles, Plant and Equipment	Based on expected lives of the asset.
Infrastructure Assets	Depreciated over a 40 year life.
Community Assets	Not depreciated as these are land assets.
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 2015, the Council had capital commitments of £3.165million (£0.179million 2013/14) relating in the main to construction of the new leisure centre, RGF works, block C of the bus station development and a number of smaller parks and green spaces schemes. In all other cases, contracts had not been let by 31<sup>st</sup> March 2015.

#### **Revaluations**

The freehold and leasehold properties, which comprise the Council's property portfolio, are revalued by Wilks Head and Eve LLP of 6<sup>th</sup> Floor, Fairgate House, 78 New Oxford Street, London, WC1A 1HB. The valuations are carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors and the government specifications relating to the Housing Revenue Account.

A desktop valuation of Council Properties was undertaken by Wilks Head and Eve LLP as at 31<sup>st</sup> March 2015. 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 2014/15 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## NOTES TO THE *Core Financial Statements*

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### 12. Investment Property

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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:

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Income from investment property including capital grant credited to the Comprehensive Income and Expenditure Statement but appropriated to Reserves	(670)	(653)
Direct operating expenses arising from investment property	(585)	(300)
<b>Net (Gain)/Loss</b>	<b>(1,255)</b>	<b>(953)</b>

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:

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	9,483	8,951
Additions:		
Construction	0	29
Subsequent Expenditure	0	0
Disposals	(180)	0
Net Gains/(Losses) from fair value adjustments	810	503
<b>Closing Balance</b>	<b>10,113</b>	<b>9,483</b>

### 13. Heritage Assets

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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.

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Closing Balance</b>	<b>121</b>	<b>121</b>

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 £0.130 million charged to revenue in 2014/15 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:

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance		
Gross carrying amounts	3,408	3,406
Accumulated amortisation	(3,033)	(2,856)
<b>Net carrying amount – Opening Balance</b>	<b>375</b>	<b>550</b>
Additions	8	2
Amortisation for the period	(130)	(177)
Gross Carrying Amounts written off in year	(2,629)	0
Accumulated amortisation written back in the year	2,629	0
<b>Net carrying amount – Movements in Year</b>	<b>(122)</b>	<b>(175)</b>
Closing Balance:		
Gross Carrying amounts	3,416	3,408
Accumulated amortisation	(3,163)	(3,033)
<b>Net carrying amount - Closing Balance</b>	<b>253</b>	<b>375</b>

15. Inventories

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Inventories	6	8

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 up as follows:

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Cash held by the Council	1	1
Bank Current Accounts	(253)	(788)
Short-term deposits with Building Society/Banks	7,861	8,539
Regional Growth Funding – short-term deposit *	1,909	10,780
<b>Total Cash and Cash Equivalents held on Balance Sheet</b>	<b>9,518</b>	<b>18,532</b>

\* 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*

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### 17. Investments

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The Council's investments are detailed below:

	2014/15 £'000	2013/14 £'000
Loan to Tin Hat Regeneration Partnership (< 1 Year)	7,000	0
Other Short Term Investments < 1 Year	3,650	0
Long Term Investments > 1 Year	0	0
<b>Total Investments</b>	<b>10,650</b>	<b>0</b>

Council deposits amounting to £7.861m in money market accounts at 31st March 2015 were being held for maturity for a period less than 3 months from the date of acquisition and have been classified as Cash and Cash Equivalents in line with the Code and Accounting Policies.

### 18. Long Term Receivables

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

	2014/15 £'000	2013/14 £'000
North West Leicestershire District Council	126	136
Hinckley Museum	0	4
Car Loans to Employees	26	39
Atkins Cafe	0	10
<b>Total Long Term Receivables</b>	<b>152</b>	<b>189</b>

### 19. Short Term Receivables

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

	2014/15 £'000	2013/14 £'000
Car Loans to Employees	13	20
Cycle Loans to Employees	1	4
Rail Season Ticket Loan	1	0
Central Government Bodies	766	730
Other Local Authorities	220	280
Housing rent	349	239
Sundry debtors	2,783	3,438
Crescent Development – Compulsory Purchase Order *	1,114	0
Council Tax, Community Charge and NNDR	2,746	2,496
Prepayments	627	555
Provision for Doubtful Debts	(1,229)	(1,020)
<b>Total Short Term Receivables</b>	<b>7,391</b>	<b>6,742</b>

\* This balance relates to the remaining Compulsory Purchase Order payments due from developers for payment to land owners on the Crescent site as at 31<sup>st</sup> March 2015. A corresponding creditor's balance is shown in note 20.

20. Short and Long Term Payables

	2014/15 £'000	2013/14 £'000
<i>Short Term Payables</i>		
S106 & Play and Open Spaces	610	464
Inland Revenue	202	195
Other Local Authorities	119	252
Housing Rents	100	91
Department for Energy and Climate Change *	129	170
Regional Growth Funding *	235	246
Sundry Creditors	2,792	2,183
Crescent Development – Compulsory Purchase Order **	1,114	0
Amount set aside for future squash club liability***	878	0
Central Government Bodies	290	603
Council Tax and National Non Domestic Rates	3,037	2,283
<b>Total Short Term Payables</b>	<b>9,506</b>	<b>6,487</b>
<i>Long Term Payables</i>		
Section 106	847	944
Play and Open Space	396	0
<b>Total Payables</b>	<b>10,749</b>	<b>7,431</b>

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

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

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

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

	2014/15			2013/14		
	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	232	847	1,079	157	944	1,101
Play and Open Space	378	396	774	307	0	307
<b>Total</b>	<b>610</b>	<b>1,243</b>	<b>1,853</b>	<b>464</b>	<b>944</b>	<b>1,403</b>

21. Short Term 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	Land Charges Litigation £'000	Total £'000
Balance at 1st April 2014	29	0	70	215	8	0	<b>322</b>
Additional provisions arising in the year	25	109	7	336	0	164	<b>426</b>
Amounts used during the year	(29)	0	(7)	(215)	(8)	0	<b>(44)</b>
Unused amounts reversed in year	0	0	(63)	0	0	0	<b>(63)</b>
<b>At 31st March 2015</b>	<b>25</b>	<b>109</b>	<b>7</b>	<b>336</b>	<b>0</b>	<b>164</b>	<b>641</b>

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

## NOTES TO THE *Core Financial Statements*

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### 21. Short Term Provisions (continued)

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- Enforcement Appeal – This provision relates to the costs associated with a legal hearing currently ongoing regarding noise levels in the Borough. These costs were recommended by the Ombudsman as at 31<sup>st</sup> March 2014 but clarification on the liability was not known until 2014/15
  - Land Charges Litigation – The Council is aware of litigation currently taking place regarding charges for personal local property services. As at the 31<sup>st</sup> March 2015, it was likely that the case would go against Local Authorities and therefore affected Councils will have to refund charges made for such searches.
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### 22. Other Long term Liabilities

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

	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>
Pensions Liability (see note 40)	38,603	31,142
Finance lease liabilities (see note 36)	9,099	9,387
<b>Total Long Term Liabilities</b>	<b>47,702</b>	<b>40,529</b>

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### 23. Usable Reserves

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

## NOTES TO THE *Core Financial Statements*

### 24. Unusable Reserves

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

	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>
Revaluation Reserve	(3,746)	(4,853)
Capital Adjustment Account	(77,558)	(55,596)
Financial Instrument Adjustment Account	19	22
Deferred Capital Receipts Reserve	0	(1,035)
Collection Fund Adjustment Account – Council Tax	(124)	(45)
Collection Fund Adjustment Account – NNDR	88	47
Pension Fund Reserve	38,603	31,171
Accumulated Absences Adjustment Account	131	148
<b>Total Unusable Reserves</b>	<b>(42,587)</b>	<b>(30,141)</b>

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 1<sup>st</sup> April 2007, the date the reserve was created.

<b>2013/14 £'000</b>		<b>2014/15 £'000</b>
<b>(1,308)</b>	Balance at 1st April	<b>(4,853)</b>
(3,556)	Upward revaluation of assets	(1897)
6	Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the provision of services	2,550
5	Accumulated gains on assets sold or scrapped/ written off to the Capital Adjustment Account	367
0	Write down to reflect the consumption of revaluation gains through depreciation	87
<b>(4,853)</b>	<b>Balance at 31st March</b>	<b>(3,746)</b>

#### **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.

2013/14 £'000		2014/15 £'000	£'000
<b>(52,867)</b>	Balance at 1st April		<b>(55,596)</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:</i>		
4,288	Charges for depreciation and impairment of non current Assets	4,427	
(2,155)	Revaluation losses/gains on Property, Plant and Equipment	(18,995)	
1,441	Revenue expenditure funded from Capital under statute	12,390	
1,055	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	1,950	
4,629			(228)
0	Adjusting amounts written out of the revaluation reserve		(86)
<b>(48,238)</b>			<b>(314)</b>
	<i>Capital financing applied in the year:</i>		
(1,221)	Use of the Capital Receipts Reserve to finance new capital expenditure	(772)	
(2,162)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,124)	
(167)	Capital grants and contributions credited to the Comprehensive and Income and Expenditure statement that have been applied to capital financing	(1,403)	
(922)	Application of grants to capital financing from the Capital Grants Unapplied Account	(10,590)	
(856)	Statutory provisions for financing of capital investment charged against the General Fund and HRA balances	(889)	
(1,527)	Capital expenditure charged against the General Fund and HRA balances	(5,060)	
(6,855)			(20,838)
(503)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(810)
<b>(55,596)</b>	<b>Balance at 31st March</b>		<b>(77,558)</b>

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.

2013/14 £'000		2014/15 £'000
25	<b>Balance at 1st April</b>	22
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance	0
0		0
(3)	Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance to statutory requirements	(3)
<b>22</b>	<b>Balance at 31st March</b>	<b>19</b>

**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.

2013/14 £'000		2014/15 £'000
(1,037)	<b>Balance at 1st April</b>	(1,035)
2	Transfer of deferred sale proceeds credited as part of gain on disposal to the Comprehensive Income and Expenditure Statement	1,035
<b>(1,035)</b>	<b>Balance at 31st March</b>	<b>0</b>

**Collection Fund Adjustment Account**

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

2013/14 £'000		2014/15 £'000
7	<b>Balance at 1st April</b>	2
(52)	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	(80)
47	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	42
<b>2</b>	<b>Balance at 31st March</b>	<b>(36)</b>

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.

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
<b>25,348</b>	<b>Balance at 1st April</b>	<b>31,171</b>
4,746	Actuarial gains and losses on pensions assets and liabilities	6,053
2,841	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement	3,157
(1,632)	Employers pension contributions and direct payments to pensioners payable in the year	(1,749)
(132)	Capital cost of early retirement	(29)
<b>31,171</b>	<b>Balance at 31st March</b>	<b>38,603</b>

**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.

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
<b>175</b>	<b>Balance at 1st April</b>	<b>148</b>
(175)	Settlement or cancellation of accrual made at the end of the preceding year	(148)
148	Amounts accrued at the end of the current year	131
<b>148</b>	<b>Balance at 31st March</b>	<b>131</b>

25. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(68)	Interest Received (See note 9)	(204)
2,794	Interest Paid (See note 9)	2,926

26. Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
120,039	Purchase of short-term and long-term investments	191,647
5,279	Purchase of property, plant and equipment, investment property and intangible assets	7,283
(1,326)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(770)
(117,199)	Proceeds from short-term and long-term investments	(180,997)
(9,601)	Other proceeds not in above	0
<b>(2,808)</b>	<b>Net cash flows from investing activities</b>	<b>17,163</b>

27. Cash Flow Statement – Financing Activities

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(4,650)	Cash Receipts from short and long term borrowing	(15,000)
451	Cash payments for the reduction of outstanding liabilities relating to Finance Leases	288
4,650	Repayment of short and long term borrowing	8,000
519	Other Payments not in above	(618)
<b>970</b>	<b>Net cash flows from financing activities</b>	<b>(7,330)</b>

28. Trading Operations

The Council operated the following trading services in 2014/15 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)

	<b>2014/15 Income</b>	<b>2014/15 Expenditure</b>	<b>2014/15 (Surplus)/ Deficit</b>	<b>2013/14 (Surplus)/ Deficit</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Markets	(154)	196	42	37
Industrial Estates	(1,255)	0	(1,255)	(987)
Grounds Maintenance DSO	(1,006)	831	(175)	(45)
Housing Repairs DSO	(1,528)	1,454	(74)	(9)
External Painting	(110)	116	6	(1)
<b>Net Surplus on ordinary activities</b>	<b>(4,053)</b>	<b>2,597</b>	<b>(1,456)</b>	<b>(1,005)</b>
Market Value Impairment			810	521
<b>Net (surplus)/deficit reported in Financing and Investment Income and Expenditure (note 9)</b>			<b>(646)</b>	<b>(484)</b>

29. Members' Allowances

Total members' allowances paid in 2014/15 were £166,506 (2013/14 - £165,885) and £6,022 were paid for members' expenses (2013/14 – £6,271).

30. External Audit Costs

In 2014/15 Hinckley and Bosworth Borough Council incurred the following fees relating to external audit and inspection:

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Fees payable to the PricewaterhouseCoopers LLP with regards to external audit services carried out by the appointed auditor	66	65
Fees payable to the PricewaterhouseCoopers LLP for the certification of grant claims and returns	19	29
Rebate received from The Audit Commission	(7)	(9)
<b>Total fees payable</b>	<b>78</b>	<b>85</b>

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

2014/15 is last year of PWC's appointment as External Auditors. PricewaterhouseCoopers LLP have been successfully awarded the contract for Internal Audit services for the Council from 2015/16 but there will be no overlap of service provision.

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

31. Grant Income

	2014/15 £'000	2013/14 £'000
<b>Credited to Taxation and Non Specific Grant Income: (see Note 10)</b>		
Revenue Support Grant	1,961	3,001
New Homes Bonus	1,402	1,042
Council Tax Freeze Grant	189	147
Council Tax Support Grant	545	545
<b>Total</b>	<b>4,097</b>	<b>4,735</b>
<b>Credited to Services:</b>		
Disabled Facilities	194	198
Waste and Recycling	1,014	997
Regional Growth Funding	1,107	10,651
Homelessness	49	59
Housing Benefit Administration	450	511
Benefit Reimbursements	17,946	18,758
Decent Homes	0	9
Locality Partnership (Sure Start)	284	330
Community Safety	41	26
Sports Grants	414	293
Play and Open Space	650	0
Developer Contributions	0	21
Elections	143	122
NNDR Cost of Collection	125	123
Supporting People and other HRA grants	398	457
Planning site delivery fund	25	0
Green Deal and Fuel Poverty Funding	0	2,193
Homes and Communities Agency	187	25
Capitalisation Provision Redistribution Grant	0	18
New Burdens	83	51
Small Business Rates Relief	675	424
Community Grants	0	16
Local Council Tax 8.5% Scheme	0	15
EU Inspire	0	7
Growth Point Funding	0	25
Environmental Improvements	0	17
Warm Homes	54	0
Planning Policy	4	0
Other	6	0
<b>Total</b>	<b>23,849</b>	<b>35,346</b>
<b>Total</b>	<b>27,946</b>	<b>40,081</b>

The Council has £10,948 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

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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 £1.677 million. Total expenditure including precept payments was £44.154 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. Two (2013/14 – Two) related party declarations have been made in 2014/15 as follows:

- One elected member holds a post on the management board for Community Action Hinckley and Bosworth and the Voluntary and Community Services Commissioning Board. These groups were awarded £26,320 and £13,000 of funding respectively in 2014/15 (2013/14 – £32,020 and £nil)
- One member has declared that two members of his family provide buffets for Council occasions. The Council has paid this organisation £483.50 in 2014/15 for these services. (2013/14 - £778)

In addition to these disclosures, a number of elected members of Hinckley and Bosworth Borough Council are elected members of parish councils and/or Leicestershire County Council as well as the Police Crime Commissioners Office.

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

	2014/15 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	<b>94,889</b>	<b>87,305</b>
<b>Capital Investment</b>		
Property Plant and Equipment	8,489	12,958
Investment Properties	0	29
Intangible Assets	8	2
Revenue Expenditure funded from Capital under Statute	12,390	4,206
Total Expenditure in year	<u>20,887</u>	<u>17,195</u>
<b>Internal Financing of Capital Expenditure</b>		
Application of Usable Capital Receipts	(772)	(1,221)
Application Capital Grants Contributions/ Reserves	(12,048)	(4,742)
Capital Financed from Revenue	(7,980)	(3,648)
Future Capital Receipts	(871)	
Total Internal Financing	<u>(21,671)</u>	<u>(9,611)</u>
<b>Closing Capital Financing Requirement</b>	<b><u>94,105</u></b>	<b><u>94,889</u></b>
<b>Explanation of Movements in year:</b>		
Supported by Government Financial Assistance	0	0
Unsupported by Government Financial Assistance	(784)	7,584
<b>Increase in Capital Financing Requirement</b>	<b><u>(784)</u></b>	<b><u>7,584</u></b>



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 2014/15**

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

**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.

2013/14 £'000		2014/15 £'000
8,512	Net Expenditure in the Directorate analysis	16,621
(2,088)	Net expenditure of services and support services not included in the analysis	(2,096)
(14,038)	Amounts in the Comprehensive Income and Expenditure Statement not reported to the management analysis	(20,661)
<b>(7,614)</b>	<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>(6,136)</b>

34. Amounts Reported for Resource Allocation Decisions (continued)

**2014/15 Reconciliation to Subjective Analysis**

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

## NOTES TO THE *Core Financial Statements*

### 34. Amounts Reported for Resource Allocation Decisions (continued)

#### **Income and Expenditure Analysis 2013/14**

	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	(2,506)	(2,812)	(2,693)	(1,057)	(4,300)	(19,620)	(12,274)	(45,262)
Other Government Grants	0	(180)	0	(382)	0	(51)	0	(613)
<b>Total Income</b>	<b>(2,506)</b>	<b>(2,992)</b>	<b>(2,693)</b>	<b>(1,439)</b>	<b>(4,300)</b>	<b>(19,671)</b>	<b>(12,274)</b>	<b>(45,875)</b>
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
<b>Total Expenditure</b>	<b>6,940</b>	<b>3,189</b>	<b>2,315</b>	<b>2,353</b>	<b>7,796</b>	<b>21,420</b>	<b>10,406</b>	<b>54,419</b>
<b>Net Expenditure</b>	<b>4,434</b>	<b>197</b>	<b>(378)</b>	<b>914</b>	<b>3,496</b>	<b>1,749</b>	<b>(1,868)</b>	<b>8,544</b>

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	Amounts in the Comprehensive Income and Expenditure Statement not reported to the Management Analysis	Additional Segments not included in analysis but included in income and expenditure statement	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(45,262)	0	(10,089)	1,803	<b>(53,549)</b>	(3,519)	<b>(57,068)</b>
Interest and Investment income	0	0	0	0	<b>0</b>	(35)	<b>(35)</b>
Expected Return on Pension Assets	0	0	0	0	<b>0</b>	(1,774)	<b>(1,774)</b>
Government Grants and Contributions	(613)	0	0	0	<b>(612)</b>	0	<b>(612)</b>
Income From Council Tax	0	0	0	0	<b>0</b>	(12,004)	<b>(12,004)</b>
<b>Total Income</b>	<b>(45,875)</b>	<b>0</b>	<b>(10,089)</b>	<b>1,803</b>	<b>(54,161)</b>	<b>(17,332)</b>	<b>(71,493)</b>
Employee expenses	11,229	0	(25)	(656)	<b>10,547</b>	1,491	<b>12,038</b>
Other service expenses	43,190	0	(4,440)	(353)	<b>38,398</b>	496	<b>38,863</b>
Depreciation, amortisation and impairment	0	0	(278)	0	<b>(278)</b>	91	<b>(187)</b>
Support services recharges	0	0	0	0	<b>0</b>	435	<b>435</b>
Interest Payments	0	(2,088)	0	0	<b>(2,088)</b>	2,760	<b>672</b>
Pension Interest Costs	0	0	0	0	<b>0</b>	2,908	<b>2,908</b>
Precepts and Levies	0	0	0	0	<b>0</b>	1,603	<b>1,603</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	<b>0</b>	337	<b>337</b>
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	<b>0</b>	(272)	<b>(272)</b>
<b>Total Expenditure</b>	<b>54,419</b>	<b>(2,088)</b>	<b>(4,743)</b>	<b>(1,009)</b>	<b>46,579</b>	<b>9,849</b>	<b>56,397</b>
<b>Surplus or Deficit on the provision of services</b>	<b>8,544</b>	<b>(2,088)</b>	<b>(14,832)</b>	<b>794</b>	<b>(7,582)</b>	<b>(7,483)</b>	<b>(15,096)</b>

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	2014/15	2013/14
	Number of employees	Number of employees
£50,000 - £54,999	1	3
£55,000 - £59,999	4	1
£60,000 - £64,999	0	0
£65,000 - £69,999	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)	2013/14	136,712	0	0	0	0	136,712	25,428	162,140
	2014/15	136,712	0	0	0	0	136,712	22,421	159,133
Deputy Chief Executive Community Direction	2013/14	95,231	0	0	0	0	95,231	17,713	112,944
	2014/15	95,231	0	0	0	0	95,231	15,618	110,849
Deputy Chief Executive Corporate Direction	2013/14	95,231	0	0	0	0	95,231	17,713	112,944
	2014/15	95,231	0	0	0	0	95,231	15,618	110,849
Chief Officer - Corporate Governance & Customer Engagement	2013/14	67,500	0	0	0	0	67,500	12,555	80,055
	2014/15	14,704	0	0	47,632	0	62,336	1,192	63,528
Chief Officer - Housing, Community Safety & Partnerships	2013/14	67,500	0	0	0	0	67,500	12,555	80,055
	2014/15	67,838	0	0	0	0	67,838	11,125	78,963
Chief Officer - Environmental Health	2013/14	67,500	0	0	0	0	67,500	12,555	80,055
	2014/15	67,838	0	0	0	0	67,838	11,125	78,963
*Chief Officer - Corporate Governance & Housing Repairs	2013/14	67,500	0	0	0	0	67,500	12,555	80,055
	2014/15	67,838	0	0	0	0	67,838	11,125	78,963
**Chief Officer – Finance, Customer Services & Compliance	2013/14	0	0	0	0	0	0	0	0
	2014/15	53,160	0	0	0	0	53,160	8,718	61,878

35. Officers' Remuneration (continued)

\* This post holder, from April 2014 to January 2015, held the position of Chief Officer - Finance, Resources & Housing Repairs

\*\* This post holder, from April 2014 to January 2015, held the position of Head of Finance. Salary shown represents actual salary paid from both posts in year.

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15 £	2013/14 £
£0 - £20,000	0	0	10	5	10	5	95,728	36,574
£20,001 – £40,000	0	0	4	0	4	0	108,239	0
£40,001-£60,000	0	0	2	0	2	0	95,972	0
£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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>5</b>	<b>16</b>	<b>5</b>	<b>299,939</b>	<b>36,574</b>

The total cost of £299,939 in the above table includes £40,980 of capital costs for early retirement relating to these agreements.

36. Leases

**Council as Lessee**

**Finance Leases**

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

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

	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>
Other Land and Buildings	6,759	8,075
Vehicles, Plant, Furniture and Equipment	1,353	1,535
<b>Total Value</b>	<b>8,112</b>	<b>9,610</b>

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
<b>Finance lease liabilities (net present value of minimum lease payments):</b>		
Current	405	358
Non Current	8,694	9,030
Finance Costs payable in future years	12,805	13,065
<b>Minimum Lease Payments</b>	<b>21,904</b>	<b>22,453</b>

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>
Within One year	1,002	965	405	358
Between one and five years	3,276	3,540	1,096	1,347
After five years	17,626	17,948	7,598	7,682
<b>Total</b>	<b>21,904</b>	<b>22,453</b>	<b>9,099</b>	<b>9,387</b>

**Operating Leases (As Lessee)**

The Council has acquired 10 photocopiers by entering into operating leases. On the 1st April 2014 the Council entered into a new three year lease and in 2014/15 paid an annual rental charge of £6,380.

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Not later than one year	6	9
Later than one year and not later than five years	0	0
<b>Total Payments</b>	<b>6</b>	<b>9</b>

36. Leases (continued)

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**Operating Leases (As Lessor)**

The Council acts as a lessor for industrial and commercial units, rented under operating leases. In addition to this the Council commenced a number of license type leases in 2014/15 for rental of space in the Hinckley Hub. The total rental income from the operating leases was £1,136,311 (£1,058,468 2013/14).

Lease payments due

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	1,211	1,545
Later than one year and not later than five years	5,218	6,657
	<b>6,429</b>	<b>8,202</b>

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37. Impairment Review

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During 2014/15, the Council underwent an impairment review through the following means:

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

As a result of the above, the Council has recognised a net impairment loss of £3.581 million in the Comprehensive Income and Expenditure Statement split as follows:

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Property Plant and Equipment	3,581	1,611
Investment Property	0	15
<b>Total Impairment Loss</b>	<b>3,581</b>	<b>1,626</b>

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38. Capitalisation of Borrowing Costs

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No borrowing costs have been capitalised in the year. (£nil in 2013/14)

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39. Termination Benefits

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The Council made payments relating to voluntary redundancy/exit packages to employees in 2014/15 totalling £166,001 (£92,704 in 2013/14) and incurred capital costs of early retirement amounting to £15,704 (£25,240 in 2013/14). No compulsory redundancies were made. In addition to this amount, the total cost of exit packages included in note 35 includes £108,662 of payments and £25,276 of capital costs for arrangements that had been agreed as at 31<sup>st</sup> March 2015 but were not paid until 2015/16 (£nil in 2013/14). The amounts have been disclosed as provisions in note 21



### 40. Pensions and Retirement Benefits

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

The objectives of IAS 19 are to ensure that:-

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

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

#### Participation in Pension Schemes

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

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

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

#### Payments to the Pension Fund

It is budgeted that the Council will pay Leicestershire County Council £1.761 million in employer's pension contributions in the year 2015/16.

#### 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**

<b>Income and Expenditure Account</b>	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
<b>Net Cost of Service</b>		
Current Service Cost	1,797	1,678
Past Service Cost (Gain)	4	15
Effect of Curtailments/Settlements	0	0
Administration Expenses	16	14
<b>Net Operating Expenditure</b>		
Pension Interest Costs	3,139	2,908
Expected return on Assets	(1,799)	(1,774)
Net Interest Cost	<b>1,340</b>	<b>1,134</b>
<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>3,157</b>	<b>2,841</b>
<b>Statement of Movement on the General Fund Balance</b> (Reversal of) Net Charges Made for Retirement Benefits in Accordance with IAS19	(3,157)	(2,841)
<b>Actual Amount Charged Against General Fund Balance for Pensions in Year</b>	<b>1,665</b>	<b>1,550</b>

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £6.053million (2013/14 losses of £4.746million) 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 2015 is £34.661million (£28.608million to 31st March 2014).

**Local Government Pension Scheme**

<b>Balance Sheet Recognition</b>	<b>31<sup>st</sup> March 2015 £'000</b>	<b>31<sup>st</sup> March 2014 £'000</b>
Present value of the defined benefit obligation	86,974	73,173
Fair value of plan assets	(48,371)	(42,031)
<b>Net liability arising from defined benefit obligation</b>	<b>38,603</b>	<b>31,142</b>

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			
	2014/15	2014/15	2013/14	2013/14
	Unfunded	Funded	Unfunded	Funded
	£'000	£'000	£'000	£'000
Fair value of plan assets at 1 April	0	42,031	0	39,526
Interest on plan assets	0	1,799	0	1,774
Remeasurements (assets)	0	4,868	0	885
Business Combinations	0	0	0	0
Settlements	0	0	0	0
Employer contributions	84	1,665	82	1,550
Member contributions	0	539	0	477
Benefits/transfers paid	(84)	(2,531)	(82)	(2,181)
<b>Fair Value of plan assets as at 31 March</b>	<b>0</b>	<b>48,371</b>	<b>0</b>	<b>42,031</b>

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

	Local Government Pension Scheme			
	2014/15	2014/15	2013/14	2013/14
	Unfunded	Funded	Unfunded	Funded
	£'000	£'000	£'000	£'000
Benefit obligation at 1 April	1,354	71,819	1,357	63,356
Current service cost	0	1,797	0	1,678
Interest on pension liabilities	0	3,139	0	2,908
Member contributions	0	539	0	477
Past service cost (gain)	0	4	0	15
Remeasurements (liabilities)	164	10,757	79	5,552
Benefits/transfers paid	(84)	(2,531)	(82)	(2,181)
Administration expenses	0	16	0	14
<b>Benefit obligation as at 31 March</b>	<b>1,434</b>	<b>85,540</b>	<b>1,354</b>	<b>71,819</b>

40. Pensions and Retirement Benefits (continued)

Local Government Pension Scheme Assets comprised:

<b>Local Government Pension Scheme Assets</b>		
<b>Asset Category</b>	<b>31<sup>st</sup> March 2015 £'000</b>	<b>31<sup>st</sup> March 2014 £'000</b>
Cash & Cash Equivalents	485	954
<b>Equity Instruments</b>		
Other	1,501	1,544
<b>Bonds</b>		
Government	2,654	520
Other	1,989	3,005
<b>Property</b>		
UK Property	4,584	3,929
<b>Private Equity</b>		
All	1,835	1,649
<b>Other Investment Funds</b>		
Equities	24,389	21,191
Bonds	4,506	2,766
Hedge Funds	2,099	1,436
Commodities	2,032	1,904
Infrastructure	1,140	954
Other	887	2,179
Derivatives	270	0
<b>Total</b>	<b>48,371</b>	<b>42,031</b>

Scheme History

	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>	<b>31st March 2013 £'000</b>	<b>31st March 2012 £'000</b>	<b>31st March 2011 £'000</b>	<b>31st March 2010 £'000</b>
Present Value of Scheme Liabilities	(86,974)	(73,173)	(64,713)	(55,299)	(49,562)	(63,734)
Fair Value of Scheme Assets	48,371	42,031	39,526	34,779	34,690	37,342
<b>Net (Liability)/ Asset</b>	<b>(38,603)</b>	<b>(31,142)</b>	<b>(25,187)</b>	<b>(20,520)</b>	<b>(14,872)</b>	<b>(26,392)</b>

40. Pensions and Retirement Benefits (continued)

Basis for Estimating Assets and Liabilities

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

<b>Assumptions as at :</b>	<b>31st March 2015 Per Annum</b>	<b>31st March 2014 Per Annum</b>
Pension Increase Rate	2.4%	2.8%
Rate of Increase in Salaries	4.3%	4.6%
Rate for Discounting Scheme Liabilities	3.2%	4.3%

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

<b>Changes in assumptions at 31 March 2015</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount (£000)</b>
0.5% decrease in Real Discount Rate	10	9,090
1 year increase in member life expectancy	3	2,609
0.5% increase in the Salary Increase Rate	4	3,066
0.5% increase in the Pension Increase Rate	7	5,807

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next few years. The contribution rate is determined by the County Fund's Actuary based on a triennial actuarial valuation. A full valuation was carried out as at 31st March 2015. A roll forward valuation is performed by the actuary in the years between full valuations.

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

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 2015 £'000	31st March 2014 £'000	31st March 2015 £'000	31st March 2014 £'000
Financial liabilities *	72,195	72,909	12,544	4,009
Finance lease liabilities	8,694	9,029	405	358
Financial Assets*	152	189	14,668	4,691
Soft loans provided (included in financial assets above)**	26	53	15	24

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

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

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

41. Financial Instruments (continued)

**Financial instruments Gains/Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2014/15

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

2013/14

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

**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 2015		31st March 2014	
	Carrying amount £'000	Fair value £'000	Carrying amount	Fair value
Borrowing (PWLB debt)	77,952	91,923	70,952	72,417
Long term payables	1,243	1,243	944	944
<b>Total Liabilities</b>	<b>79,195</b>	<b>93,166</b>	<b>71,896</b>	<b>73,361</b>

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 2015		31st March 2014	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money market loans	7,000	7,022	0	0
Long term Receivables	152	152	189	189
<b>Total Assets</b>	<b>7,152</b>	<b>7,174</b>	<b>189</b>	<b>189</b>

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 required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.



### 41. Financial Instruments (continued)

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#### Overall procedures for managing risk

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

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

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

The annual Treasury Management Strategy for 2014/15 which incorporates the Prudential Indicators was approved by Council on 20<sup>th</sup> February 2014 and is available on the Council website. The key points within the Strategy were:

- The Authorised Limit for 2014/15 was set at £ 96.641million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £ 87.241million. 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 Section 151 Officer and the Finance Section. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed annually and approved by Council as part of the budget process.

41. Financial Instruments (continued)

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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 2015 that this was likely to crystallise.

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

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

	<b>General Receivables 31st March 2015 £'000</b>	<b>General Receivables 31st March 2014 £'000</b>
<30 days	568	1,609
30-59 days	58	190
60-89 days	139	40
90-119 days	12	68
>120 days	1,420	379
<b>Total</b>	<b>2,197</b>	<b>2,286</b>

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

### 41. Financial Instruments (continued)

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#### 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:

	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>
Less than 1 year	7,000	0
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
More than 3 years	0	0
<b>Total</b>	<b>7,000</b>	<b>0</b>

All Council deposits in money market accounts at 31st March 2015 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 year:

	Approved minimum limits	Approved maximum limits	Actual 31st March 2015 £'000	Actual 31st March 2014 £'000
Less than 1 year	0%	100%	7,000	0
Between 1 and 2 years	0%	100%	0	0
Between 2 and 5 years	0%	100%	2,941	0
Between 5 and 10 years	0%	100%	14,707	14,707
More than 10 years	0%	100%	53,304	56,245
<b>Total</b>	<b>0%</b>	<b>100%</b>	<b>77,952</b>	<b>70,952</b>

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

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#### Utilities Charge

The Council is currently preparing a formal complaint against a utility bill for Council land. This is on the basis that the Council is not legally liable for these charges. The value of this bill is £21,000.

#### Planning Appeals

As at 31<sup>st</sup> March 2015, one planning appeal resulting from Planning Committee decisions was awaiting judicial review/legal hearing. The potential award of costs for these cases, if upheld is estimated at £50,000.

#### Holiday Pay Calculations

In November 2014 the Employment Appeal Tribunal ruled that holiday pay should include non-guaranteed overtime. If passed as law, this may create liabilities for the Council who receive claims from employees required to work overtime as a regular part of their job. As at 31<sup>st</sup> March 2015, the Council was awaiting outcomes of case law and further guidance on how and if claims should be calculated. On this basis the likelihood and value of claims cannot be accurately estimated.

#### Business Rates

It is likely that appeals will be lodged in 2015/2016 against valuations made in 2014/2015. It is not possible to quantify the potential liabilities arising from these cases.

### 43. Contingent Assets

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#### VAT on Postage Costs

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

### 44. Revenues and Benefits Partnership

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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 2014/15 was £1.416 million (2013/14 £1.420 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

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### Housing Revenue Account 2014/15

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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 2014/15

2013/14 £'000	<b><u>HRA INCOME and EXPENDITURE STATEMENT</u></b>	Notes	2014/15 £'000
	<b>INCOME</b>		
(12,182)	Dwelling Rents	5	(12,531)
(76)	Non Dwelling Rents	5	(77)
(229)	Charges for Services and Facilities		(218)
(596)	Contributions towards Expenditure		(539)
<b>(13,083)</b>	<b>Total Income</b>		<b>(13,365)</b>
	<b>EXPENDITURE</b>		
1,958	Repairs and Maintenance		2,305
2,568	Supervision and Management		2,820
250	Rents, Rates, Taxes, Other Charges		280
2,999	Depreciation and Impairment of Non-Current Assets	9	3,019
(3,170)	Gain on Revaluation		(20,871)
4	Debt Management Costs		4
63	Increase in Bad Debt Provision / Write Offs	6	152
<b>4,672</b>	<b>Total Expenditure</b>		<b>(12,291)</b>
<b>(8,411)</b>	<b>Net Cost/(Surplus) of HRA Services per Authority Income and Expenditure Statement</b>		<b>(25,656)</b>
2,104	Interest Payable		2,088
(17)	Interest and Investment Income		(19)
(400)	Surplus on disposal of Non Current Assets		(188)
<b>(6,724)</b>	<b>Deficit/(Surplus) for the Year on HRA Services</b>		<b>(23,775)</b>
	<b><u>Items included in HRA I&amp;E but excluded from Movement on the HRA Balance</u></b>		
(251)	Net charges made for retirement benefits in accordance with IAS 19	10	(290)
400	Surplus on Sale of fixed Assets		188
(17)	Revenue Expenditure Funded from Capital under Statute	8	0
	<b><u>Items not included in HRA I&amp;E but included from Movement on the HRA Balance</u></b>		
3,170	Gain on Revaluation		20,871
(873)	Transfer from Major Repairs Reserve	7	(867)
(11)	Depreciation of Non-Current Assets		(29)
241	Transfers to/(from) Housing Repairs Account	1	214
230	Employer's Contributions to the Leicestershire County Council pension scheme & retirement benefits	10	266
4,551	Contribution to/(from) Reserves		3,861
16	Contribution to Pensions Reserve - Capital Cost of Early Retirement		4
3	Movements regarding employee benefits accruals		2
<b>7,459</b>			<b>24,220</b>
<b>735</b>	<b>(Surplus)/Deficit for the Year</b>		<b>445</b>
<b>(1,891)</b>	<b>Balance Brought Forward 1st April</b>		<b>(1,156)</b>
<b>(1,156)</b>	<b>Balance Carried Forward 31st March</b>		<b>(711)</b>

## ADDITIONAL *financial* STATEMENTS

### Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the billing Authority. The accounts of the fund have been prepared on an accruals basis.

2013/14 £'000		Notes	2014/15 £'000	2014/15 £'000
	<b>INCOME</b>			
(50,515)	Income from Council Tax		(51,810)	
(27,486)	Income from Business Ratepayers		(27,276)	
<b>(78,001)</b>	<b>Total Income</b>			<b>(79,086)</b>
	<b>EXPENDITURE</b>			
49,770	Precepts and Demands from County, District, Fire and Police Authorities	14		50,443
27,364	Payments under Business Rates Retention		27,575	
123	Costs of Collection		125	27,700
77,257				78,143
	Bad and Doubtful debts/appeals			
230	– Write Offs		489	
110	Provisions		114	
340				603
	Contributions			
	Distribution of Previous Year's			
19	Estimated Balance			475
<b>77,616</b>	<b>Total Expenditure</b>			<b>79,221</b>
(385)	Movement on Fund Balance			135
65	Opening Fund Balance 1st April			(320)
<b>(320)</b>	<b>Closing Fund Balance 31st March</b>			<b>(185)</b>

## ADDITIONAL *financial* STATEMENTS

### Notes to the Additional Financial Statements

#### 1. Housing Repairs Account

2013/14 £'000		Note	2014/15 £'000	2014/15 £'000
<b>Income</b>				
(3,032)	Contribution from HRA			(3,211)
(2)	Interest on cash balances			0
(3)	Miscellaneous Income			(3)
(3,037)	<b>Total Income</b>			<b>(3,214)</b>
<b>Expenditure</b>				
219	Employee costs		369	
4	Transport related costs		5	
103	Supplies and services costs		112	
<u>248</u>	Central support costs		<u>224</u>	
574				710
488	Programmed repairs			472
942	Responsive repairs			1,187
<b>2,004</b>	<b>Total Expenditure</b>			<b>2,369</b>
<b>(1,033)</b>	<b>Net Cost of Service</b>			<b>(845)</b>
(3)	IAS 19 Pension Adjustment			(5)
(1)	Accumulated Absences Adjustment			0
246	Contribution to reserves			720
0	Contribution from reserves			(100)
550	Revenue Contributions to Capital	8		16
<b>(241)</b>	<b>Deficit/(Surplus) for the year</b>			<b>(214)</b>
<b>(242)</b>	<b>Balance brought forward 1st April</b>			<b>(483)</b>
<b>(483)</b>	<b>Balance carried forward 31st March</b>			<b>(697)</b>

#### 2. Movement in Dwelling Stock

The Council was responsible for managing a housing stock of 3,347 dwellings at 31st March 2015. During the year the following movement took place:

	2014/15 Number	2013/14 Number
Sales (Right to Buy)	(17)	(26)
Additions	4	0
<b>Total Movement</b>	<b>(13)</b>	<b>(26)</b>

## ADDITIONAL *financial* STATEMENTS

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### 3. Property Types in Dwelling Stock

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

<b>TYPE</b>	<b>2015 Number</b>	<b>2014 * Number</b>
1 bedroom bungalows	271	271
1 bedroom houses	2	2
1 bedroom flats *	605	607
2 bedroom bungalows	420	420
2 bedroom houses	304	302
2 bedroom flats	421	423
3 bedroom bungalows	10	10
3 bedroom houses	1,310	1,320
3 bedroom flats	1	1
4 bedroom bungalows	1	1
4 bedroom houses	16	17
5 bedroom houses	3	3
<b>Total Dwellings</b>	<b>3,364</b>	<b>3,377</b>

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

\*Restated to reflect dwelling numbers valued as part of property valuations.

### 4. Balance Sheet Value of Council's HRA Assets

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	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Dwellings	128,937	107,889
Other Land and Buildings	117	364
<b>Operational Assets</b>	<b>129,054</b>	<b>108,253</b>
Investment Land/Properties	735	328
<b>Total Assets</b>	<b>129,789</b>	<b>108,581</b>

The vacant possession value of dwellings within the Council's HRA was £379.22 million. The vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost to Government of providing Council housing at less than open market rents.

### 5. Rent Income

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Rent Income can be analysed as follows: -

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Collectable from Tenants	(5,872)	(5,409)
Rent Rebates	(6,659)	(6,773)
Dwelling Rents	(12,531)	(12,182)
Non-dwelling Rents (Shops etc.)	(77)	(76)
<b>Total Rent</b>	<b>(12,608)</b>	<b>(12,258)</b>

## ADDITIONAL *financial* STATEMENTS

### 6. Rent Arrears

	2014/15 £'000	2013/14 £'000
Rent Arrears	437	350
Bad Debt Provision	290	201
Bad Debts Written Off	63	35

### 7. Major Repairs Reserve

	2014/15 £'000	2013/14 £'000
<b>Balance at 1st April</b>	<b>0</b>	<b>(46)</b>
Amounts transferred to Reserve during year	(2,991)	(2,989)
Amounts transferred from Reserve to HRA during year	867	873
Capital Expenditure	2,124	2,162
<b>Balance at 31st March</b>	<b>0</b>	<b>0</b>

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 £3.661 million (£3.150 million 2013/14) was incurred. Expenditure on Dwellings was £3.645 million (£3.033 million in 2013/14), and expenditure on Vehicles Plant and Equipment was £0.016 million (£0.100 million in 2013/14). The sources of funding are shown below:

	2014/15 £'000	2013/14 £'000
Revenue Contributions to Capital	16	550
Other Contributions from Reserves	1,425	389
External Contributions	96	49
Borrowing	0	0
Major Repairs Reserve	2,124	2,162
<b>Total financing</b>	<b>3,661</b>	<b>3,150</b>

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

	2014/15 £'000	2013/14 £'000
Right to Buy Dwellings	764	1,327
Council House Mortgage Repayments	0	2
<b>Total capital receipts</b>	<b>764</b>	<b>1,329</b>

## ADDITIONAL *financial* STATEMENTS

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### 9. Depreciation/ Impairment

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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:-

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Depreciation</b>		
Dwellings	2,973	2,978
Other Land and Buildings	17	10
Vehicles, Plant & Equipment	29	11
<b>Total Depreciation – Operational</b>	<b>3,019</b>	<b>2,999</b>
Impairment of Non Current Assets	0	0
<b>Total Depreciation and Impairments</b>	<b>3,019</b>	<b>2,999</b>

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### 10. HRA Share of Contribution to or From the Pension Reserve

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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 £290,000 in 2014/15 (£251,000 in 2013/14).
2. Employer's contributions to the Leicestershire County Council pension fund and retirement benefits payable direct to pensioners. This amounted to £266,000 in 2014/15 (£230,000 in 2013/14).

## ADDITIONAL *financial* STATEMENTS

### 11. Non-Domestic Rateable Value

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Value at 31st March	70,935	71,645

### 12. National Non-Domestic Rates Multiplier

	<b>2014/15</b>	<b>2013/14</b>
National Non-Domestic Rates multiplier	48.2p	47.1p
Small Business Multiplier	47.1p	46.2p

### 13. Council Tax Base

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

<b>Band</b>	<b>2014/15</b>	<b>2013/14</b>
A	3,500	3,481
B	8,729	8,591
C	7,918	7,827
D	6,091	6,026
E	4,280	4,245
F	2,628	2,605
G	1,474	1,476
H	102	101
<b>Council Tax Base</b>	<b>34,722 *</b>	<b>34,352</b>

\* In accordance with relevant regulations, the Council Tax base for the council is rounded to one decimal point. The total taxbase for 2014/15 was approved at 34,721.9

### 14. Significant Precepting Authorities

	<b>2014/15</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Leicestershire County Council	36,909	36,515
Leicestershire Police Authority	6,128	5,973
Leicester, Leicestershire and Rutland Combined Fire Authority	2,057	2,005
Hinckley and Bosworth Borough Council	5,349	5,277
<b>Total</b>	<b>50,443</b>	<b>49,770</b>

### 15. Fund Balances

The balance on the Fund is comprised as follows:

	<b>31st March</b> <b>2015</b> <b>£'000</b>	<b>31st March</b> <b>2014</b> <b>£'000</b>
A Deficit/(surplus) on Council Tax/ NNDR Collection.	(185)	(320)
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.		





<b>Term</b>	<b>Definition</b>
<b>Accounting Policies</b>	Principles, bases, rules and practices applied in the preparation of the financial statements.
<b>Accruals</b>	The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.
<b>Actuarial Gains and Losses</b>	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because <ul style="list-style-type: none"> <li>a) events have not coincided with the actuarial assumptions made at the last valuation (experience gains or losses) or</li> <li>b) the actuarial assumptions have changed.</li> </ul>
<b>Capital Charge</b>	A charge to revenue accounts to reflect the cost of Non Current Assets used in the provision of services.
<b>Capital expenditure</b>	Expenditure on the acquisition of Non Current Assets or expenditure which adds to and not merely maintains the value of an existing asset.
<b>Capital Receipt</b>	Money the Council receives from the sales of assets (buildings, land etc).
<b>CCAB</b>	Consultative Committee for Accountancy Bodies.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy, the principal accountancy body dealing with local government finance.
<b>Community Assets</b>	Land held permanently for the benefit of Borough residents.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>Corporate and Democratic Core</b>	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.
<b>Current Service Cost (Pensions)</b>	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

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<b>Defined Benefits Scheme</b>	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).
<b>Depreciation</b>	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.
<b>Discretionary Benefits</b>	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.
<b>Expected Rate of Return on Pensions Assets</b>	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.
<b>Fair Value</b>	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.
<b>Finance Lease</b>	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.
<b>Non Current Assets</b>	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.
<b>General Fund</b>	The Council's main revenue account covering the net cost of all services other than Council housing.
<b>Going Concern</b>	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.
<b>IEG</b>	Implementation of electronic government.

## Glossary of Terms

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<b>Impairment</b>	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.
<b>Infrastructure Assets</b>	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.
<b>Interest Cost (Pensions)</b>	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.
<b>Inventories</b>	<p>Comprise the following categories:-</p> <ul style="list-style-type: none"> <li>i) goods or other assets purchased for resale;</li> <li>ii) consumable stores;</li> <li>iii) raw materials and components purchased for incorporation into products for sale;</li> <li>iv) products and services in intermediate stages of completion;</li> <li>v) contract balances;</li> <li>vi) finished goods.</li> </ul>
<b>Investments (Non Pensions Fund)</b>	<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>
<b>Investments (Pensions Fund)</b>	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.

<p><b>Investment Properties</b></p>	<p>Interest in land and/or buildings:-</p> <ul style="list-style-type: none"> <li>a) in respect of which construction work and development has been completed; and</li> <li>b) which is held for its investment potential, any rental income being negotiated at arm's length.</li> </ul>
<p><b>Major Repairs Reserve</b></p>	<p>A reserve created to deal with major repairs to HRA properties financed from the Major Repairs Allowance</p>
<p><b>Minimum Revenue Provision (MRP)</b></p>	<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>
<p><b>National Non-Domestic Rates (NNDR)</b></p>	<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>
<p><b>Net Book Value</b></p>	<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>
<p><b>Net Current Replacement Cost</b></p>	<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>
<p><b>Net Realisable value</b></p>	<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>
<p><b>Non-Distributed Costs</b></p>	<p>These are overheads for which no user benefits and therefore should not be apportioned to services.</p>
<p><b>Non-Operational Assets</b></p>	<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>
<p><b>Operating Leases</b></p>	<p>A lease other than a finance lease.</p>
<p><b>Operational Assets</b></p>	<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>

<b>Past Service Cost</b>	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.
<b>Post Balance Sheet Events</b>	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.
<b>Precept</b>	A demand by one public body to another public body to collect revenue from a Council Tax payer.
<b>Projected Unit Method</b>	<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"> <li>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;</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Prudence</b>	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.
<b>Reserve</b>	Monies set aside for a scheme or event that may happen.
<b>Retirement Benefits</b>	<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"> <li>i) An employer's decision to terminate an employee's employment before normal retirement date</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>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.</li> </ul>

## Glossary of Terms

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<b>Revenue expenditure</b>	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.
<b>Scheme Liabilities</b>	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.
<b>Settlement</b>	<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"><li>i) a lump sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;</li><li>ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits;</li><li>iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.</li></ul>
<b>Total Cost</b>	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.
<b>Ultra Vires</b>	An action that is outside the powers allowed to the body that wants to execute the action.
<b>Useful Life</b>	The period over which the Local Authority will derive benefits from the use of an asset.
<b>Vested rights</b>	<p>In relation to a defined benefits pension scheme, these are:-</p> <ul style="list-style-type: none"><li>i) For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;</li><li>ii) For deferred pensioners, their preserved benefits;</li><li>iii) For pensioners, pension to which they are entitled.</li></ul> <p>Vested rights include where appropriate, the related benefits for spouses or other dependants.</p>

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## The Annual Governance Statement

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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 in the way in which its functions are exercised, having regard to a combination of 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: Framework*. A copy of the Constitution can be found on the Council’s website at [http://www.hinckley-bosworth.gov.uk/info/100004/my\\_council/535/constitution\\_of\\_hinckley\\_and\\_bosworth\\_borough\\_council](http://www.hinckley-bosworth.gov.uk/info/100004/my_council/535/constitution_of_hinckley_and_bosworth_borough_council). One of the objectives of the Constitution is to “enable the Council to review its governance arrangements as required”. A full review of the Constitution took place in February 2015.

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 2014/2015. No significant control weaknesses have been identified in year. 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 2015 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

## Annual Governance Statement

making decisions. Governance provides the structure through which organisations 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
- Monitoring<sup>1</sup>

### **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 <sup>2</sup>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

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<sup>1</sup> Internal Control — Integrated Framework (1992) COSO

<sup>2</sup> Delivering Good Governance in Local Government: Framework – Addendum (2012) CIPFA



## Annual Governance Statement

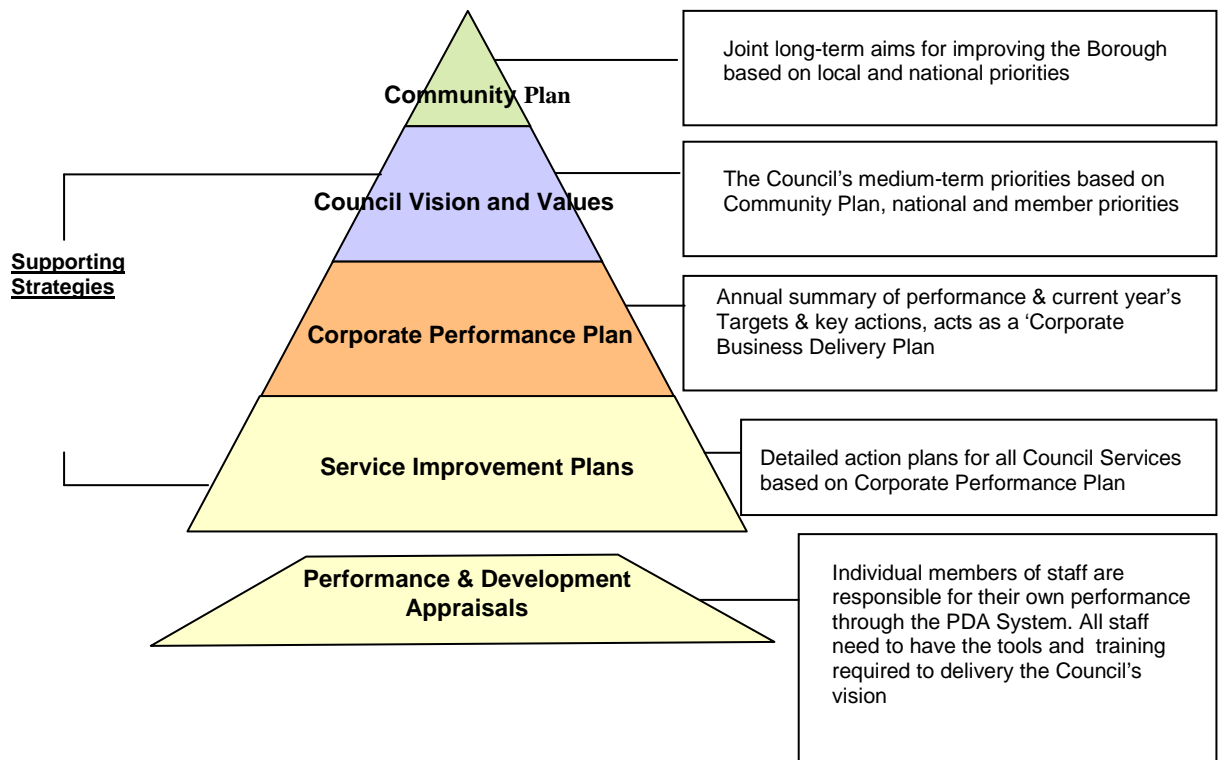
- Ensuring effective management of change and transformation
- Ensuring the authority's financial management arrangements confirm with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how 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 Corporate Plan is due to be refreshed in 2016/2017 and consultation will commence to inform this process in summer 2015/
- 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 (MTFS). A “holding” MTFS for the years 2014/2015-2017/2018 was approved by Council in March 2015 and will be refreshed following the general and local elections. The MTFS outlines ten financial objectives which the Council looks to achieve whilst managing current financial risks. Alongside this, the Council has in place a Housing Revenue Account (HRA) Business Plan which sets out how the organisation will finance and deliver affordable housing over the next thirty years. From a capital perspective, the Capital Programme 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 organisation’s approach to borrowing and investing.
- The system of internal financial control reflects the budgetary control framework which is based on the following principals:
  - Preparation of comprehensive annual budgets, reserves review and a Medium Term Financial Strategy to examine the financial health of the Council
  - Robust financial regulations and authorisation limits to ensure accountable financial decisions
  - Allocation of financial resource to ensure that each budget holder meets with a dedicated accountant on a monthly basis
  - Production of monthly reporting packs which are discussed by Strategic Leadership Board and the Corporate Operations Board
  - Preparation of regular financial reports for members which outline actual expenditure against budget and forecast spend for the remainder of the financial year

## Annual Governance Statement

- Use of a comprehensive financial ledger and reporting tool which produces disaggregated financial reports at various levels (e.g. fund, cost centre, expenditure type) to ensure that stakeholders receive information to inform decisions. The Council has invested in a budget monitoring model within the financial ledger to allow for self service and interrogation of financial data by users
- Inclusion of financial implications in all committee reports
- Representation from finance in the governance structure of all corporate projects
- The Council's budgetary control system is reviewed each year by Internal Audit and in 2014/15 received a "significant assurance" rating based on achievement of the following control objectives:
  - The Authority prepares a Medium Term Financial Strategy (MTFS) and approves a budget accordingly, which is designed to deliver strategic priorities and contains robust key assumptions
  - Responsibility for controlling budgets is delegated in a timely manner to clearly defined budget holders
  - Accurate and complete financial information including forecasts, is produced in a timely manner to budget holders and committees for inspection, analysis and control of budget performance
  - Significant budget variations are analysed, investigated, explained and acted upon.
- 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
  - Procurement Strategy
  - Communication and Consultation Strategy
  - Data Quality Policy
  - Corporate Debt Recovery Strategy

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- 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 Children and Young People Safeguarding Policy, Cultural and Sport Strategy , Health & Wellbeing Strategy, Economic Regeneration Strategy, Green Infrastructure Strategy, Local Development Scheme , Climate Change Strategy, Environmental Health Enforcement Policy, Food Safety and Health and Safety Delivery Plan, Homelessness Strategy and the Housing strategy and Racial Harassment Policy
- 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 oversees the performance of members, senior officers and the Council's committees.
- The Financial Procedure Rules, Contract Procedure Rules, Whistleblowing Policy and Corporate Anti-Fraud Policy set out 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 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). A corporate fraud log is centrally maintained and all cases are reported (in private session) to the Finance, Audit and Performance Committee every six months. With regards to Whistleblowing, an independent survey was conducted by the internal audit during 2014/2015 and informed subsequent training that was provided to officers on this topic.
- 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 involving the Council include:

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

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<b>Partnership</b>	<b>Purpose</b>	<b>Partners involved</b>
	<p>Children and Young People.</p> <ul style="list-style-type: none"> <li>Oversee delivery of Sure Start programme.</li> </ul>	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"> <li>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.</li> <li>To oversee and develop VCS commissioning, via VCS Commissioning Board.</li> </ul>	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"> <li>▪ To reduce CO2.</li> <li>▪ To reduce waste going to landfill by increasing recycling rates and residual weight reduction.</li> <li>▪ Keep neighbourhoods clean.</li> <li>▪ Co-ordinating waste and street cleaning services across county.</li> </ul>	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.
Multi Agency Gold Incident Command (MAGIC)	Emergency planning	All relevant responders

- 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, assess and provide a means of improving competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council. All officers are required to complete annual appraisals 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 2013-2016 outlines how the Council will engage with local people and stakeholders through means such as the 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 2014/2015 on pertinent issues including neighbourhood development, open spaces, planning, development management and conservation . The Council communicates to residents through the Borough Bulletin which is circulated to all residents each

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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 collates customer satisfaction results for face to face, telephone and website interaction.
- The Council regularly measures performance through a suite of performance indicators managed on the TEN Performance Management system. All indicators are mapped to corporate priorities and are embedded within individual Service Improvement Plans. Each month performance is entered by managers before the database is locked to maintain accuracy in reporting. Progress 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
- The Council actively looks for opportunities to benchmark performance against other Councils. Locally the Council is a member of the East Midlands Performance Benchmarking Group and going forward has subscribed to ten CIPFA benchmarking clubs to assess the performance of support services.
- 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 2014/2015 these included:
  - Highly Commended in Municipal Journal Awards "Innovation in Finance" Category
  - Gold footprint award for the third year running under the RSPCA's Community Animal Welfare Footprint
  - Silver award in the Community Matters category of the Improvement and Efficiency Social Enterprise (iESE) awards
  - 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
- 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

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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 2014/2015**

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 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 2014/2015. 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 2014/15 Annual Audit Report presented to Finance Audit and Performance Committee on 13<sup>th</sup> April 2016, CW Audit issued a "significant assurance" rating for the Council's internal control and identified no significant control weaknesses.

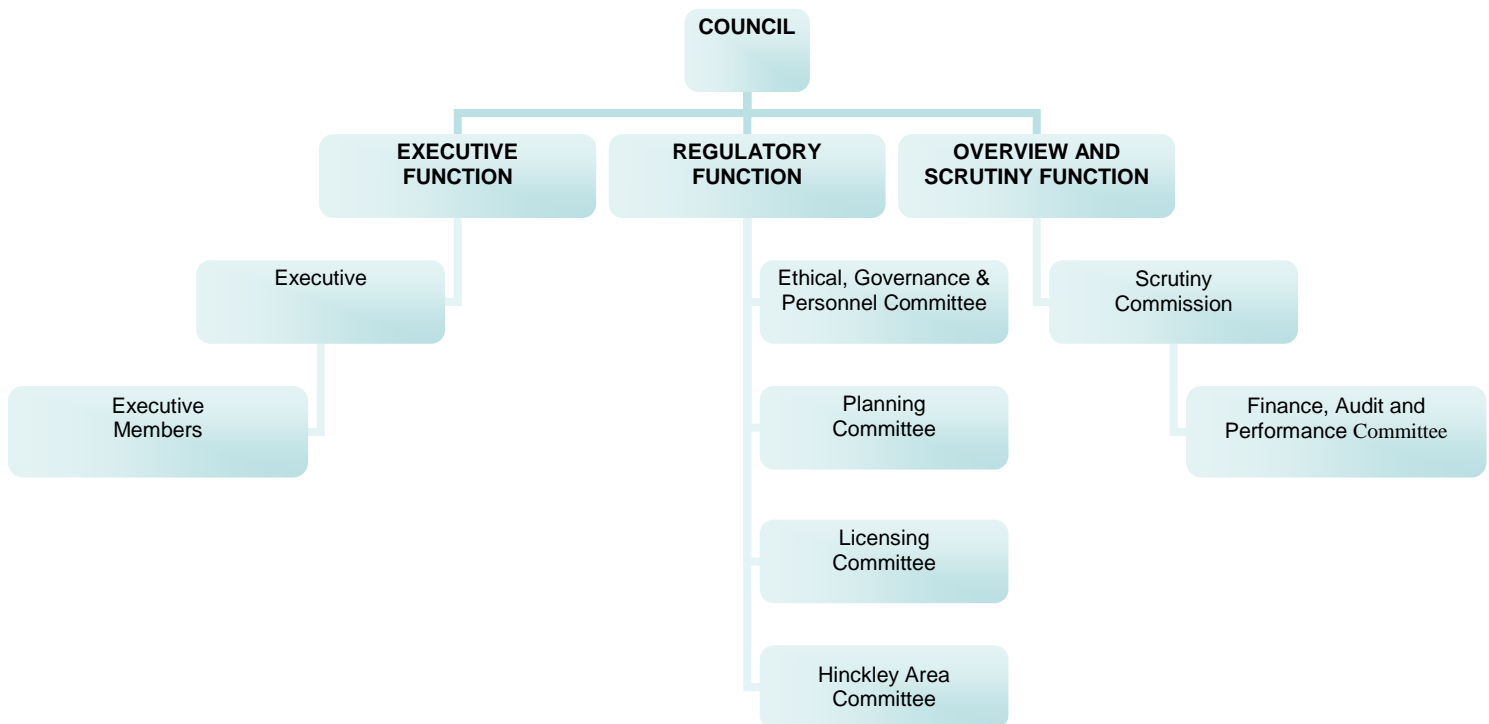
The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Annual Audit Letter is considered formally by the Finance, Audit and Performance Committee.



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## Council Structure

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



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:

- Channel Shift
- Set up of a housing development company
- Health and wellbeing
- The annual Budget
- Clean neighbourhoods
- Member's allowances
- Progress on capital schemes

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

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

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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.

#### 2014/2015 Significant Control Weaknesses

No significant control weaknesses have been identified for reporting in 2014/2015. This has been confirmed by the Council's Internal Auditors in their year end opinion.

#### 2013/2014 Significant Control Weaknesses

No significant control weaknesses were identified for reporting in 2013/2014.

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Steve Atkinson MA(Oxon) MBA FioD FRSA  
Chief Executive

Date.....

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Cllr Mike Hall  
Leader of the Council

Date .....