Hinckley & Bosworth Borough Council

A Borough to be proud of

Statement of Accounts

2016/2017

Contents

Chief Executive's Message

Message from the Chief Executive as Head of Paid Services

This Council remains ambitious in its plans and has adopted a new Corporate Plan setting out its key priorities for the next four years around the themes of People, Places and Prosperity.

As the 2016/17 financial statements demonstrate, the financial standing of the Council continues to be robust. We have established good and effective financial governance, processes and procedures and are ready to move forward in a period of continuous change. As always, we will continue to pursue on-going improvement and excellence.

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

- Be assured that the Council is managed in a way that has secured its ongoing future and its ability to deliver services to the people that rely on them in this area.
- Review the financial performance during 2016/17 and understand the financial position in terms of the assets, liabilities and reserves of the Council;
- See that our accounts were prepared as a true and fair record of our financial performance and have been audited and certified as such, to ensure confidence that the public money, with which the Council has been entrusted, has been used and accounted for in an appropriate manner; and

We ended a good year for Hinckley & Bosworth Borough Council. We have achieved our savings and growth targets of £1.6 million and delivered on our key redevelopment objectives; in particular the successful opening of the Crescent shopping, leisure and entertainment development and on the new 'state of the art' Leisure Centre, which opened on time and on budget in May 2016.

As we look forward into 2017/18, the economic outlook is continuing to show some improvement, and this is reflected locally with key business investment taking place. However, Central Government still spends more than it collects and so significant pressure remains to bring the country out of its budget deficit. There are also the uncertainties of Brexit and the post election changes that will be made by any new administration due to the unexpected early election. Central Government is tackling this through a programme of sustainable economic growth and a drive for efficiency savings/ cost reductions across public services.

This means the landscape of Local Government is changing dramatically. Government has set in motion the creation of Combined Authorities, with elected Mayors now in place for some key city regions, which can request devolved powers to the local area. All Councils in Leicester and Leicestershire are currently in the process of establishing such an authority. This devolution agenda, along with a raft of new locally announced economic programmes, means councils have to be adaptable and have the ability to embrace change, whilst ensuring financial stability.

Hinckley & Bosworth Borough Council historically has resisted increases in council tax. This has led to the Council for 2016/17 having the eleventh lowest Council Tax charge out of 203 District councils in the Country at £117 per year, which is £56 less than the than the national average. Government is expecting that Councils will need to raise Council Tax as part of their future funding regime, although currently there is a 2% limit on any such increase, without a public referendum (although district councils and shire counties which are in the lowest quartile can increase Council Tax by £5 a year.) To help secure the finances of the Council we have continued with the £5 for 2017/18.

There will also be a dramatic change in the way business rates are managed, with the stated intention of Government that Local Authorities will retain 100% of the growth of business rates from 2020/21, subject to some redistributive safeguards. We had a contribution to our income of £2.3m in 2016/17 for baseline funding and an additional £1m for new growth and this level is likely to continue in 2017/18, but the longer term future is still uncertain. Nevertheless, the reforms can be seen as a key opportunity for the Council to encourage economic growth, as a means of creating additional income.

New Homes Bonus is very likely to be reformed and, although for 2016/17 we received £2.9m, this as an overall element of Central Government funding is reducing as increases in this funding are being off set by the removal of other grants. Also the reforms to this area of funding will lead to it being under threat in future years, as some funds are diverted from this programme to fund adult social care improvements. This has led to the period upon which funding provision is given(linked to the number of new homes built) being reduced from a period of six years to four, which inevitably puts pressure on the Council. However, successive governments over the past decade and more have put in place an incentivised funding regime for housing growth and we await any future announcements on this.

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

Our ability to fund capital projects will remain constrained through a 'cap' on HRA borrowing, and the (lack of) availability of land. Many capital projects will rely on making successful capital bids to the Leicester and Leicestershire Local Enterprise Partnership (LLEP) and the Coventry and Warwickshire Local Enterprise Partnership (C&WLEP), as the Council is a member of both bodies.

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

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

Places - Creating clean and attractive places to live and work

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

District Councils everywhere are having to adapt and transform by becoming more pro-active in prevention linked to reducing demand on ours and other agencies' services: such as the police, the NHS and social care. This will be achieved by using money where it is needed to invest in all of our communities; by generating new ways of self-financing; by having a greater say in Government and sub-regional partnerships, and all this whilst improving the efficiency of our services so valued by our local communities. Our new Corporate Plan will be central to how Hinckley and Bosworth Borough Council moves forward in all of these areas.

Narrative Report

Narrative report

Welcome to Hinckley & Bosworth Borough Council's Statement of Accounts for the year ended 31st March 2017 that details the financial position of the Council for the financial year 2016/17. This Narrative Report outlines the main issues affecting the Council and gives context in relation to the accompanying Financial Statements.

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

- An Introduction to Hinckley & Bosworth Borough Council
- The 2016/17 Revenue Budget Process.
- Financial Performance of the Council 2016/17
- Capital Strategy and Capital Programme 2015/16 to 2019/20
- Non-Financial Performance of the Council 2016/17
- Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2016/17.

An Introduction to Hinckley & Bosworth Borough Council

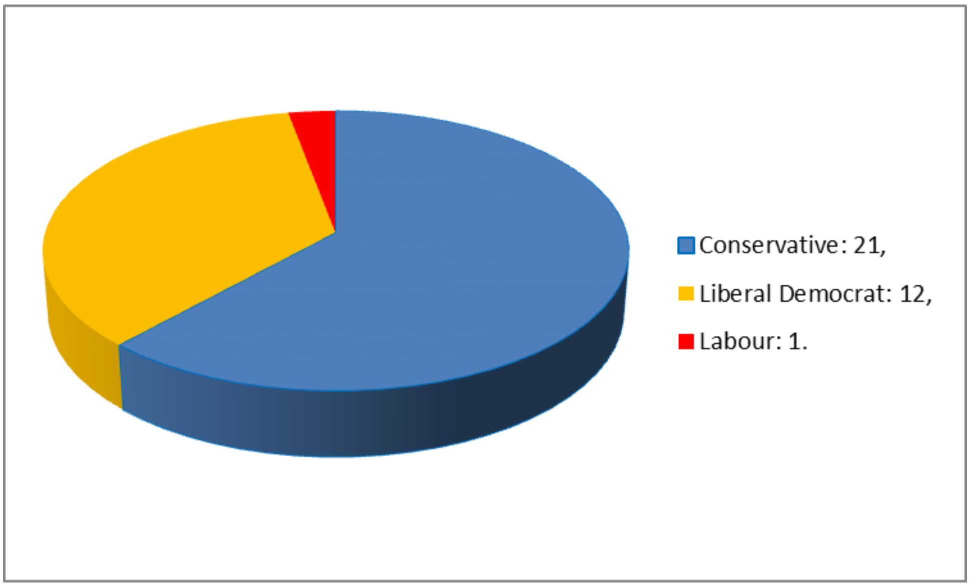
The Borough of Hinckley and Bosworth has a population of approximately 109,000 and extends over a largely rural area of some 297 square kilometres in the south west of Leicestershire, from west of the city of Leicester in the east to the boundary with Warwickshire in the west. The main urban area of the borough focuses on the town of Hinckley and spreads to the adjoining parishes of Barwell, Earl Shilton and Burbage. The urban area is located at the south western tip of the borough and is home to around 60% of its residents. The borough's traditional industries include hosiery, textiles, boot and shoe manufacturing. Today the manufacturing base has moved towards the automotive industries with key employers: HORIBA MIRA, which is a vehicle engineering hub with Enterprise Zone status; Triumph Motorcycles; and, Caterpillar. In addition, National Grid has a base in Hinckley and the borough is also home to a growing logistics and distribution cluster with the presence of major companies such as Neovia, Syncreon and DPD.

The Council is composed of 34 Councillors elected every four years. Councillors are democratically accountable to residents of their ward.

All Councillors meet together as the Council. Councillors decide the Council's overall policies and set the budget each year. Decisions which are outside of the budget or policy framework have to be referred to Council. Other items reserved for Council include adopting and amending the Constitution, approving or adopting the policy framework, setting the budget, appointing the Leader of Council, electing the Mayor and appointing the Deputy Mayor and retaining overall responsibility for regulatory functions.

At the last election in May 2015 Conservatives gained political control in this borough. Councillor Mike Hall is Leader of the council. The composition of this council is:

Narrative Report



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

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

- Audit Committee
- Ethical Governance and Personnel Committee
- Hinckley Area Committee
- Licensing (Regulatory) Committee
- Licensing Committee
- Planning Committee
- Statutory Officer Employment Panel

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

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

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

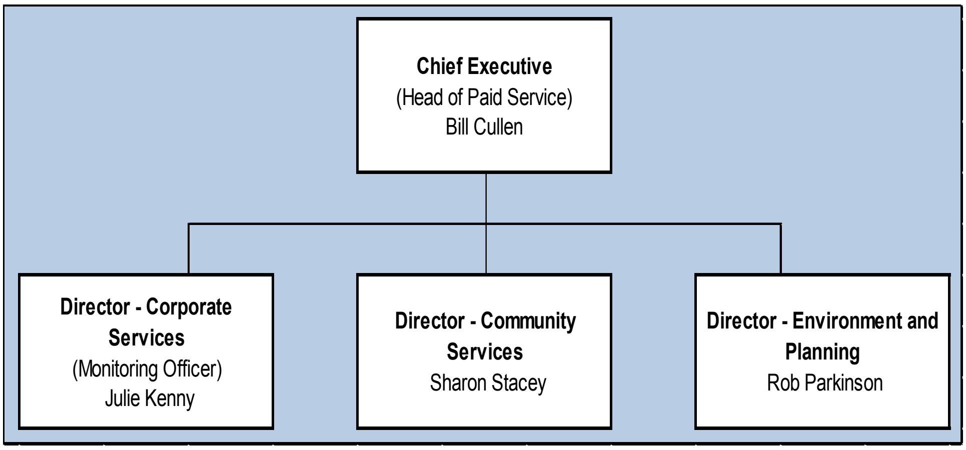
We have brought those priorities together under three clear headings:

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

Further details of a corporate plan can be found on our website: http://www.hinckley-bosworth.gov.uk/info/10020/strategies_plans_and_policies/80/corporate_plan

Corporate Operations

The Council's management structure has been changed during 2016/17 to a Directorate basis, and is documented in the management structure chart below.



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

The number of Council employees and elected members for 201617 and prior year are as follows:

	31st March 2017	31st March 2016
Council Employees	411	416
Elected Members	34	34
Total Staff	445	450

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/downloads/file/3764/constitution_of_hbbc

The Council sets a target for sickness absence on an annual basis for all staff. Outturn against this target for 2016/17 and the previous year was as follows:

Target	Target	Outturn 2016/17	Outturn 2015/16
Working Days Lost due to Sickness Absence	8 days	8.70 days	7.59 days

High sickness absence levels can have a detrimental effect on the delivery of council services. Effective sickness absence management ensures that the cost of sickness absence is kept at a minimum whilst improving capacity, service improvement and workforce morale. Sickness performance for 2016/17 was slightly above target and the final outturn was 8.70 days. This was higher than the previous year 2015/16 which was 7.59%. Increase in absence was due to an increase in short term intermittence absence particularly over the Autumn/Winter period. Regular attendance management meetings are held by the Chief Executive with Chief Officers to understand the reasons for any instances that lead to high levels of sickness.

The 2016/17 Revenue Budget Process

Every year the Council reviews its overall expenditure to identify efficiencies and ensure it can deliver services to local residents. The 2016/17 revenue budget process was prepared in light of the continued need to make reductions in expenditure, but ensuring the Council priorities are progressed. The 2016/17 General Fund revenue budget has been prepared with clear links to the Council's strategic and service objectives. As well as reviewing revenue the Council also ensures capital development priorities are included in the Capital Programme which is approved at the same time as the revenue budget.

Part of our ongoing commitment to efficiency savings in relation to the cost of supplies and services, is to apply a rate of 0% to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-3% in year, the application of 0% represents an effective saving on running costs.

The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2016/17 estimates includes the agreed 1% pay. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2015/16.

Service pressures totalling £2,585,014, endorsed by the Council, have been included in the budget. Of this amount £931,141 is contractually committed expenditure as noted below:

- £459,000 relates to staff cost resulting from pay inflation, pay increments, pension and NI costs. Pension and NI changes account for £246,000 of this increase and are outside of the Council's control.
- £298,100 relates to additional costs incurred under the Palm contract.
- £174,041 impact from the Tin Hat Partnership which ended in 2015/16

Other major services and capital financing pressures include:

- £424,101 of capital financing pressure (includes Block C and Leisure Centre costs)
- £108,970 relates to asset management costs for Block C, but is completely off set by associated income.

- £157,000 relates to additional interest in relation to funding the capital programme

In comparison, service managers and the previous Corporate Operations Board (COB) have identified £2,201,418 of efficiency savings and new income possibilities through a review of income streams and expenditure levels. The most significant of these savings are:

- £336,421 (net) from Leisure Centre rentals to be received in 2016/17.
- £351,779 rental income due to the Council from the units owned on the Crescent development (Block C)
- £154,000 increase in trade waste and recycling income
- £143,000 savings from the planned removal of Local Council Tax Support Funding to parishes.
- £15,000 additional growth in the income budget for planning fees. This reflects the ongoing increase in applications made to this service
- £129,000 of Planning Site allocation savings from previous year to be realised in 2016/17.
- £119,000 related to a potential VAT liability provided for, but has not been required.

The Leicestershire Pension Fund was re-valued as at 31 March 2015 in accordance with statutory requirements and was found to be in actuarial deficit i.e. the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members. Whilst action is needed to remedy this position the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An Employers Contribution rate of 16.4% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value of £468,000 is payable to the Local Government Pension Scheme which is contained in a corporate budget. These rates have been confirmed with the Pension Scheme provider. In addition to service priorities, there are a number of wider issues, identified in the Budget Strategy and previously in the Medium Term Financial Strategy. A summary of these items and how they have been addressed in the budget is provided below:

Reserves

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

- Maintain general balances (non earmarked) at a minimum of 10% of Hinckley & Bosworth Borough Council's budget requirement, changed to an average of 15% over the life of the Medium Term Financial Strategy (MTFS) from 2017/18. There should be no direct contribution from revenue to capital except for specific identified projects.
- Any notional surplus/deficit earned/incurred by the Direct Service Organisations will be transferred to/from General Fund balances. Any such balance on the Housing Repairs DSO account is transferred to/from the Housing Repairs Account held within the Housing Revenue Account

Financial Performance of the Council 2016/17

The outturn for 2016/17 saw an improvement in the financial position compared with that anticipated position when the Budget was prepared in the autumn of 2016. 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 £1.127 million 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 £0.807 million. The main reasons for the variations were:-

- Additional Garden Bins Income.
- Additional savings arising from Business Rates Growth.

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 2017 is set out below:

	Original Estimate 2016/17	Revised Estimate 2016/17	Draft Outturn 2016/17
	£	£	£
Support Services	115,045	189,865	(82,338)
Corporate Services	2,135,936	2,486,473	877,505
Community Services	2,259,147	2,832,704	2,213,808
Environment and Planning	6,671,827	6,485,575	4,940,080
Further Savings in Year	0	(203,000)	0
Total service expenditure	**11,181,955**	**11,791,617**	**7,949,055**
Less:			
Special Expenses	(629,907)	(629,907)	(612,952)
Capital Accounting Adjustment	(936,739)	(936,739)	(971,535)
Revenue Conts to Capital	0	0	150,000
Net external interest (received)/paid	335,380	335,380	843,281
IAS19 Adjustment	(396,620)	(396,620)	(150,767)
Carry forwards from prior year	0	(204,949)	(185,759)
Pensions – In year costs	0	0	84,000
Carry forwards to next yr.	0	0	266,012
Employee Benefit	0	0	13,356
Transfer to reserves	1,202,534	2,228,290	2,718,175
Transfer from reserves	(393,440)	(1,441,023)	(782,214)
Transfer to (from) unapplied grants	(2,915)	(665,014)	(298,834)
Transfer to unapplied grant	0	0	1,370,141
Transfer to/(from) pensions reserves	3,880	3,880	0
Transfer to/(from) Collection Fund Adj A/c	0	0	56,186
Transfer to/(from) balances	(115,934)	163,279	246,294
HBBC Budget Requirement	**10,248,194**	**10,248,194**	**10,694,439**

Capital Strategy and Capital Programme 2016/17 to 2018/19

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

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

- Build of the new Hinckley Leisure Centre and demolition of the current site
- Capital works associated with the Regional Growth Fund to support the development of the MIRA Enterprise Zone and wider economy
- Purchase of the former Cooperative site

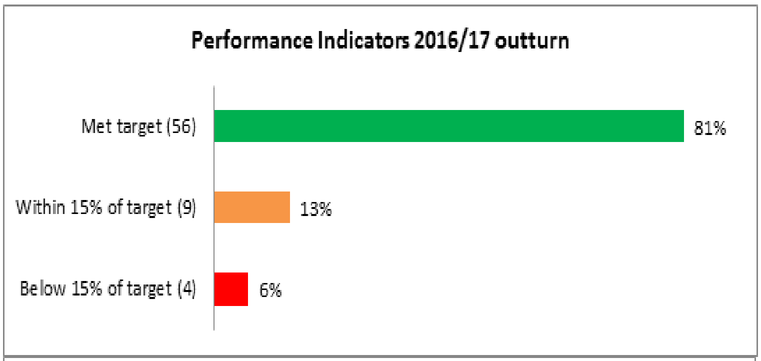
The overall Capital Programme approved by Council in February 2017 for 2016/2017 – 2018/2019 is given below.

	2016/2017 £	2017/2018 £	2018/2019 £	Total £
Expenditure	**6,671,810**	**2,851,454**	**2,133,680**	**11,656,944**
Financed from:				
Reserve	**1,547,592**	**828,800**	**732,000**	**3,108,392**
Capital Receipts	**344,748**	**643,000**	**586,680**	**1,574,428**
Borrowing	**3,588,259**	**396,026**	**368,530**	**4,352,815**
Grant income	**1,191,211**	**983,628**	**446,470**	**2,621,309**
Total financing	**6,671,810**	**2,851,454**	**2,133,680**	**11,656,944**

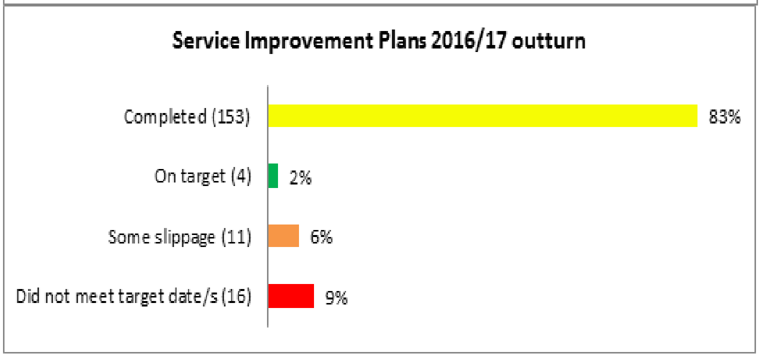
Non-Financial Performance of the Council 2016/17

The Council uses plans and strategies at all levels of the organisation to plan and monitor the achievement of aims and objective. At a corporate level, the system is governed by the Corporate Planning Framework. The Council's objectives are reflected in Service Improvement Plans which outline how each service will achieve the corporate aims within a three year period. Plans are refreshed annually and progress against targets are managed through the TEN performance management system monthly. Performance reports are produced for service managers', team briefings, monthly and joint boards on a quarterly basis. Individual staff performance is monitored through annual performance development assessments and biannual reviews. Performance reports are produced for the Finance 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 2016/17 year was reported as follows:

Performance Indicators 2016/17 outturn



Service Improvement action plans – 2016/17 outturn



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

Corporate Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The Corporate Risk Register plays an integral role to support production of the Corporate Plan and is subject to annual review by the Audit Committee when it approves the final accounts. The Annual Governance Statement includes our review of the corporate risks facing the council, and if any are considered significant. For 2016/17 this review should conclude that there are no significant control weaknesses have been identified for reporting in 2016/2017.

This has been confirmed by the Council's Internal Auditors in their year end opinion. The Council currently has a number of significant projects covering a wide range of services, which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. Specific risks relating to partnerships and projects have been incorporated into the Annual Governance statement where appropriate.

Material Changes

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

Accounting Policies

The Council's Accounting Policies are contained in the Statement of Accounts from page 91 to page 106.

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

The Council's Accounting Policies are reviewed on an annual basis and updated for any changes in the Code.

Changes have been introduced from the work CIPFA has completed on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). These changes include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS) and the introduction of Expenditure and Funding Analysis and an Income Analysed by Nature.

The key changes are:

- the cost of services in the CIES is to be reported on the basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings. This is aimed at matching the way the accounts disclose income and expenditure of the Council more closely with how it is internally reported during the year to officers and members, so users of the accounts have a better understanding of the information used to make decisions in year.
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES. It also shows how the expenditure is allocated for decision making purposes between directorates/services. This change has enabled the previous segmental reporting requirements to be streamlined. The changes will remove some of the complexities of the current segmental note.
- streamlining the Movement in Reserves Statement (MIRS) providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Revenue Reserves

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

	2017 £000's	**2016 £000's**
Earmarked Revenue Reserves	6,091	3,656
General Fund Balances	1761	1,514
Housing Repairs Account	442	411
Housing Revenue Account	870	989
Total	**9,164**	**6,570**

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

- General Fund balances should be held at a minimum of 10% of the General Fund net budget requirement to meet the costs of any unforeseen events, changed to 15% over the term of the MTFS as from 2017/18.
- Housing Revenue Account balances should be held at a minimum of £250 per property to ensure sufficient balances are maintained for central repairs.

Pension Costs

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

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

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

Hymans Robertson, has undertaken pension expense calculations in accordance with IAS 19 in respect of the Local Government Pension Scheme (the LGPS) administered by Leicestershire County Council. A full triennial valuation of the scheme was conducted as at 31st March 2015.

Note 40 discloses a net pension liability of £34.243 million for the Council as at 31st March 2017 compared to £27.670 million at 1st April 2016. Under legislation the Council is required to charge to revenue each year the value of contributions payable to the LGPS administrator rather than the cost of service calculated by IAS 19. This is done by creating a Pensions Reserve that offsets the liability but is not usable other than to balance out the liability.

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

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

Capital Expenditure and Disposals

Capital expenditure on Property, Plant and Equipment in 2016/17 was £10.002 million. Of this total £1.152 million relates to Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The Council disposed of assets worth £1.311 million in the year of which £1.169 million related to right to buy dwelling sales.

External Borrowing

As at 31st March 2017 the Council had total external borrowing of £75.952 million which consisted of long-term borrowing from the Public Works Loan Board (PWLB). The Council is currently able to raise finance using the following approved borrowing instruments and funding is acquired after comparing the various rates available to ascertain the cheapest source and the most appropriate period:

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

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

In 2016/17 the Council complied with all the relevant statutory and regulatory requirements which require the identification and, where possible, quantification of the levels of risk associated with treasury management activities. In particular the Council's adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that capital expenditure is prudent, affordable and sustainable, and treasury practices demonstrate a low risk approach.

Provisions, Contingencies and Write Offs

The Balance Sheet contains provisions of £0.955 million as at 31st March 2017. 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 2016/17 to provide for costs of legal cases that are likely to require settlement in 2017/18.

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 £0.928 million has been estimated for this Council for 2016/17.

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 three contingent liabilities that have been identified as at 31st March 2017. These include potential outcomes of planning appeals and legal cases, as well as an acknowledgment that further business rates appeals may be lodged in 2017/18 relating to rateable values decided in 2016/17. 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 2016/17 year are summarised below. There were no single material write offs processed in year and all arose in the course of standard Council operations.

	2016/17 £000's	2015/16 £000's
General Fund Write Offs	24	11
Housing Revenue Account Write Offs (including rents)	666	494
Collection Fund Write Offs	287	212
Total Write Offs	**977**	**717**

Resources Available to Support Future Capital Expenditure

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

	2017 £000's	2016 £000's
Unapplied Grants and Contributions	1,863	2,996
Usable Capital Receipts Reserve	2,642	683
Earmarked Revenue Reserve for Future Capital Projects	12,636	12,061
Total available resources	**17,141**	**15,740**

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 2016/17 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.

	2017/18 £000's	2018/19 £000's	2019/20 £000's
Expenditure			
Leisure and Environment	1,621	1,064	325
Planning	126	95	95
Central Services	252	165	165
Housing (General Fund)	852	810	810
Expenditure Total	**2,851**	**2,134**	**1,395**
General Financing			
Capital Receipts	643	587	587
Borrowing	396	368	377
Contribution from reserves	829	732	0
Grants	983	447	431
Financing Total	**2,851**	**2,134**	**1,395**

Housing Revenue Account

The financial statements of the Housing Revenue Account appear as an additional financial statement. The Housing Revenue Account shows the economic costs in the year of providing landlords, housing services. In 2016/17 the Housing Revenue Account had a deficit of £0.120 million compared with a surplus £0.278 million in 2015/16. 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 deficit of £0.235 in 2016/17 compared with a deficit of £0.019 million in 2015/16.

The total of both the Housing Revenue Account and Housing Repairs account balances at 31st March 2017 was £1.311 million compared with £1.666 million in 2015/16. The Housing Revenue Regeneration Reserve held a balance of £10.167 million and will be used to fund future Affordable Housing schemes.

Collection Fund – Council Tax

From 1st April 1990 the Council has been required by the Local Government Finance Act 1988 to maintain a Collection Fund for transactions relating to the collection of Council Tax and Non-Domestic Rates. The details are set out in the Collection Fund Statement. In 2016/17, the Collection Fund collected £90.015 million from Council Tax and National Non Domestic Rates compared to £84.210 million in 2015/16.

Post Balance Sheet Event

The Statement of Accounts was authorised for issue by the Head of Finance on 24th August 2017. Events taking place after this date are not reflected in the financial statements or notes.

The Current Economic Climate and Medium Term Financial Strategy

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

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

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

The ongoing impact of austerity measures enacted by Government, means that local government budgets have been and will continue to be radically reduced due to cuts in central government funding and local reductions in traditional income streams. Changes in local government financing, 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, guidance in these areas is ever changing, making it difficult for authorities to reliably forecast or pre-empt financing arrangements going forward.

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

The council continues to minimise increases to fees and charges (e.g. car parking charges) to assist local residents and businesses which means that the Council's budgets continue to be under pressure. The financial modelling and forecast contained in the MTFS have included these factors. In Leicestershire, the County Council's MTFS notes it has to make £58.8 million of savings over to the period ending 2019/20. In order to achieve these targets, pressures will be transferred to district councils in areas such as waste, children's services and older people services. For this Council, the direct impact of these changes has created an estimated budget pressure of up to £505,000 overall. The indirect impact of changes inflicted by the County Council, however, could increase this pressure by many thousands more. Therefore it is essential that we achieve the forecast MTFS for 2017/18: 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.	**6.** Capital expenditure is properly appraised.
2. Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework.	**7.** When funding the Capital Programme, all funding options are considered.
3. The Council must search for new sources of funding to support its activities and maximise opportunities from emerging economic initiatives such as City Deals and Local Growth Funds.	**8.** To review levels and purpose of Reserves and Balances.
4. To review the scale of fees and charges at least annually.	**9.** To maintain sustainable Council Tax increases.
5. To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise.	**10.** To increase efficiency savings and generate funding through shared services and collaborative working.

Publication of Accounts

The Statements have been prepared in accordance with the 2016/17 edition of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and International Financial Reporting Standards (IFRS). The Statements present the financial affairs of the Council in accordance with the Service Reporting Code of Practice (SeRCOP).

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

Comprehensive Income and Expenditure Statement (CIES)	This covers the sources of all income received and the cost of providing services in the year based on International Financial Reporting Standards and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), rather than the amount funded from Council Tax, and other Government grants. The amount funded from Council Tax and Government grants differ from the information in CIES by a series of amendments made in accordance with regulations, these amendments are reflected through the Movement in Reserves Statement.
Movement in Reserves Statement (MiRS)	The MiRS shows the movement in the year on the various reserves held by the Council. Reserves are classified into usable and unusable reserves. Usable Reserves are those that can be used to cover expenditure or reduce the level of local taxation required. They include the general fund, earmarked reserves and the capital receipts reserve. Unusable reserves tend to arise due to difference in the legal responsibilities that cover how transactions need to be accounted for and accounting requirements. These reserves cannot be used to cover expenditure, and include the pensions reserve, the revaluation reserve and the capital adjustment account.
Expenditure & Funding Analysis	This is a reconciliation between management reporting segments and the CIES surplus and defect on the provision of services. The statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practises with statutory defined charges to the General fund and HRA.
Balance Sheet	The Balance sheet gives the value of the Council's assets and liabilities at the financial year end, referred to as the Balance Sheet date. The net position of the total assets less total liabilities are matched by the overall level of reserves held.
Cash Flow Statement	The cash flow statement discloses movements in cash flows of the authority during the financial year. The cash flow statement shows movements in the authority's cash and cash equivalents. Cash equivalents include short term investments that are easily

	changeable in to cash and only have an insignificant risk of changes in value.
Notes to the financial statements	These include a summary of significant accounting policies that guide our basis for the way items are accounted for, notes that give further information on items included in the main financial statements and other explanatory information.
Supplementary Statements: Housing Revenue Accounts, and Collection Fund	These are the Housing Revenue Account (HRA) and Collection Fund. The HRA covers the income from housing activities and Council's expenditure on Council housing; this has to be shown separately and has its own set of notes giving more detailed information. The Collection Fund gives level of business rates and council tax that the Council has to collect, not only for itself, but also for Central Government, Leicestershire County Council, Leicestershire Police Authority, Leicester, Leicestershire and Rutland Combined Fire Authority and on behalf of Town & Parish Councils.
Annual Governance Statement	The Council has approved and adopted a code of corporate governance, which is consistent with the national requirements on good governance in local government. The Annual Governance Statement provide a summary of how the Council has reviewed compliance with this code, the role of the governance structures involved, such as the Audit Committee and other Committees as relevant to governance, and any issues, if any, identified and proposed action needed.

These Statements are supported by accompanying notes.

These audited accounts were approved for publication on 24th August 2017 by A Wilson, Head of Finance. Events after the Balance Sheet Date have been considered up to this date and disclosed in Note 5.

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

The Council's Responsibilities

The Council is required to:

a) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Head of Finance.

b) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

c) approve the Statement of Accounts.

The Head of Finance's Responsibilities

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

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

a) selected suitable accounting policies and then applied them consistently;

b) made judgements and estimates that were reasonable and prudent;

c) complied with the Local Authority Code;

The Head of Finance has also:

a) kept proper accounting records, which were up to date;

b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that The Statement of Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2017.

A.Wilson, FCCA, BCom(Acc) (Hons)	Cllr M Hall
Head of Finance	Leader of the Council
Date:-	Date:-

CORE *financial* STATEMENTS

THE *Movement in Reserves Statement*

THE *Comprehensive Income and Expenditure Statement*

THE *Balance Sheet*

THE *Cash Flow Statement*

The Movement in Reserves Statement

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

The Comprehensive Income and Expenditure Statement

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

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

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

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

The Balance Sheet

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

The Expenditure and Funding Analysis

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

The Cash Flow Statement

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

Movement in Reserves Statement *(£000's)*

The CIPFA Code of Local Authority Accounting in the UK 2016/17 required the total General Fund Balance and Total HRA balance be presented. In the past, it was recommended that earmarked reserves be presented separately. The 2015/16 MIRS has been restated for this change.

	General Fund Balance	Housing Revenue Account	Capital receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserve	Total Authority Reserves
Balance at 31 March 2015 carried forward	**6,586**	**10,391**	**2,099**	**0**	**3,848**	**22,924**	**42,587**	**65,511**
Total Comprehensive Income and Expenditure	(4,980)	6,496	0	0	0	**1,516**	**13,337**	**14,853**
Adjustments between accounting basis & funding basis under regulations	4,837	(4,904)	(1,416)	207	(852)	**(2,128)**	**2,128**	0
Increase/(Decrease) in Year	**(143)**	**1,592**	**(1,416)**	**207**	**(852)**	**(612)**	**15,465**	**14,853**
Balance at 31 March 2016 carried forward	**6,443**	**11,983**	**683**	**207**	**2,996**	**22,312**	**58,052**	**80,364**
Total Comprehensive Income and Expenditure	**1,114**	**42,149**	**0**	**0**	**0**	**43,263**	**(2,258)**	**41,005**
Adjustments between accounting basis & funding basis under regulations	582	(42,359)	1,959	201	345	(39,272)	39,272	0
Increase/(Decrease) in Year	**1,696**	**(210)**	**1,959**	**201**	**345**	**3,991**	**37,014**	**41,005**
Balance at 31 March 2017 carried forward	**8,139**	**11,773**	**2,642**	**408**	**3,341**	**26,303**	**95,066**	**121,369**
Fund Balance	1,761	870						
Earmarked reserve (note 7)	6,378	10,903						
Balance at 31 March 2017 carried forward	8,139	11,773						

Comprehensive Income and Expenditure Statement

Restated 2015/16 Gross Expenditure £000's's	Restated 2015/16 Gross Income * £000's	Restated 2015/16 Expenditure /(Income) £000's		Note	2016/17 Gross Expenditure £000's	2016/17 Gross Income £000's	2016/17 Expenditure /(Income) £000's
5,256	(650)	4,606	Community Services		2,895	(798)	2,097
24,029	(22,490)	1,539	Corporate Services		22,117	(20,898)	1,219
10,882	(3,687)	7,195	Environment & Planning		10,214	(5,120)	5,094
1,129	(1,944)	(815)	Support Services		1,249	(1,332)	(83)
6,009	(14,169)	(8,160)	Housing Revenue Account		(29,612)	(13,923)	(43,535)
47,305	**(42,940)**	**4,365**	**Net Cost of services**		**6,863**	**(42,071)**	**(35,208)**
2,553	0	2,553	Other operating expenditure	8	1,503	0	1,503
5,648	(2,439)	3,209	Financing and investment income and expenditure	9	5,636	(2,144)	3,492
594	(12,237)	(11,643)	Taxation and non-specific grant income	10	2,033	(15,083)	(13,050)
56,100	**(57,616)**	**(1,516)**	**(Surplus) or deficit on Provision of services**		**16,035**	**(59,298)**	**(43,263)**
		(538)	(Surplus) or deficit on revaluation of Fixed Assets	11			(3,248)
		(12,799)	Remeasurement of net defined pension liability	40			5,505
		(13,337)	**Other Comprehensive Income And Expenditure**				2,257
		(14,853)	**Total Comprehensive Income and Expenditure**				**(41,006)**

* - The reason for the restatement is to reflect the CIPFA codes new reporting requirement See page 29 for the prior period restatement of Expenditure & Funding Analysis.

The Balance Sheet

31st March 2016 £000's		Notes	31st March 2017 £000's
191,122	Property, Plant and Equipment	11	235,997
121	Heritage Assets	13	121
0	Investment Property	12	0
806	Intangible Assets	14	822
165	Long Term Receivables	18	182
192,214	**Long Term Assets**		**237,122**
0	Short Term Investments	17	4,000
4	Inventories	15	20
7,167	Short Term Receivables	19	6,478
7,963	Cash and Cash Equivalents	16	6,907
15,134	**Current Assets**		**17,405**
(366)	Cash and Cash Equivalents	16	(50)
0	Short term Borrowing	41	0
(10,835)	Short Term Payables	20	(12,142)
(612)	Short Term Provisions	21	(955)
(11,813)	**Current Liabilities**		**(13,147)**
(2,831)	Long Term Payables	20	(1,460)
(75,952)	Long Term Borrowing	41	(75,952)
(36,371)	Other Long Term Liabilities	22	(42,518)
(17)	Capital Grants Received in Advance	31	(81)
(115,171)	**Long Term Liabilities**		**(120,011)**
80,364	**Net Assets**		**121,369**
22,312	Usable Reserves	23	26,303
58,052	Unusable Reserves	24	95,066
80,364	**Total Reserves**		**121,369**

The Cash Flow Statement

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

2015/16 £000's		Note	2016/17 £000's
1,516	**Net surplus or (deficit) on the provision of services**		**43,264**
7,466	Adjustments to net surplus or deficit on the provision of services for non cash movements		(32,525)
924	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(126)
9,906	**Net Cash flows from Operating Activities**		**10,613**
(8,523)	Investing Activities	26	(11,588)
(3,304)	Financing Activities	27	235
(1,921)	**Net increase or (decrease) in cash and cash equivalents**		**(740)**
9,518	Cash and Cash Equivalents at the beginning of the reporting year		7,597
7,597	**Cash and cash equivalents at the end of the reporting year**	16	**6,857**

Expenditure and Funding Analysis

2016/17	As reported for resource management £000's	Adjustment to arrive at the net amount chargeable to General Fund & HRA Balances £000's	Net Expenditure chargeable to the General Fund and HRA £000's	Adjustments between Funding & Accounting Basis £000's	Net expenditure in the Comprehensive Income & Expenditure Statement £000's
Support Services	4,728	(5,200)	(472)	389	(83)
Corporate Services	(70)	1,010	940	279	1,219
Community Services	1,415	(205)	1,210	887	2,097
Environment & Planning	3,149	1,125	4,274	820	5,094
Housing (HRA)	(45,334)	44,158	(1,176)	(42,359)	(43,535)
Net cost of Services	**(36,112)**	**40,888**	**4,776**	**(39,984)**	**(35,208)**
Other Income and Expenditure	(5,884)	(378)	(6,262)	(1,793)	(8,055)
(Surplus) or Deficit	**(41,996)**	**40,510**	**(1,486)**	**(41,777)**	**(43,263)**

Opening General Fund and HRA Balance	18,426
Less deficit on General Fund and HRA Balances	1,486
Opening General Fund and HRA Balance at 31 March	19,912

2015/16	As reported for resource management £000's	Adjustment to arrive at the net amount chargeable to General Fund & HRA Balances £000's	Net Expenditure chargeable to the General Fund and HRA £000's	Adjustments between Funding and Accounting Basis £000's	Net expenditure in the Comprehensive Income and Expenditure Statement £000's
Support Services	4,013	(4,335)	(322)	(493)	(815)
Corporate Services	211	1,058	1,269	270	1,539
Community Services	3,747	(1,864)	1,883	2,723	4,606
Environment & Planning	5,135	766	5,901	1,294	7,195
Housing (HRA)	(9,414)	6,158	(3,256)	(4,904)	(8,160)
Net cost of Services	3,692	1,783	5,475	(1,110)	4,365
Other Income and Expenditure	(6,246)	(678)	(6,924)	1,043	(5,881)
(Surplus) or Deficit	(2,554)	1,105	(1,449)	(67)	(1,516)

Opening General Fund and HRA Balance	16,977
Less deficit on General Fund and HRA Balances	1,449
Opening General Fund and HRA Balance at 31 March	18,426

Note to the Expenditure and Funding Analysis

2016/17	Internal Recharges not included in management reporting £000's	Total to arrive at amount charged to the General Fund & HRA £000's	Adjustment for capital purposes £000's	Net change for the pensions adjustment £000's	Other Differences £000's
Support Services	(5,200)	(5,200)	392	-	(3)
Corporate Services	1,010	1,010	279	-	-
Community Services	(205)	(205)	888	-	(1)
Environment & Planning	1,125	1,125	827	-	(7)
Housing (HRA)	44,158	44,158	(42,390)	32	(1)
Net cost of Services	**40,888**	**40,888**	**(40,004)**	**32**	**(12)**
Other Income and Expenditure	(378)	(378)	(2,768)	1,036	(61)
Total	**40,510**	**40,510**	**(42,772)**	**1,068**	**(73)**

2015/16	Internal Recharges not included in management reporting £000's	Total to arrive at amount charged to the General Fund & HRA £000's	Adjustment for capital purposes £000's	Net change for the pensions adjustment £000's	Other Differences £000's
Support Services	(4,335)	**(4,335)**	(493)	0	0
Corporate Services	1,058	**1,058**	273	0	(3)
Community Services	(1,864)	**(1,864)**	2,724	0	(1)
Environment & Planning	766	**766**	1,295	0	(1)
Housing (HRA)	6,158	**6,158**	(5,015)	111	0
Net cost of Services	**1,783**	**1,783**	**(1,216)**	**111**	**(5)**
Other Income and Expenditure	(678	**(678)**	(996)	1,755	284
Total	**1,105**	**1,105**	**(2,212)**	**1,866**	**279**

Prior period restatement of service expenditure and income in the CIES

SERCOP Service Line	Central Services to the public £000's	Cultural & Related Services £000's	Environment & Regulatory £000's	Planning £000's	Local Authority Housing £000's	Other Housing £000's	Corporate & Democratic Core £000's	Non Distributed Costs £000's	Regional Growth Fund £000's	Total £000's
As reported in the CIES	657	3,290	4,447	2,025	(8,160)	780	1,347	(1,329)	1,308	4,365
Directorates										
Corporate Services	713	0	59	(144)	0	78	1,347	(514)	0	1,539
Environment and Planning	(56)	226	3,713	3,312	0	0	0	0	0	7,195
Community Services	0	3,064	675	165	0	702	0	0	0	4,606
HRA	0	0	0	0	(8,160)	0	0	0	0	(8,160)
Support Services	0	0	0	0	0	0	0	(815)	0	(815)
Total Adjustments between SERCOP classifications & management reporting	**657**	**3,290**	**4,447**	**3,333**	**(8,160)**	**780**	**1,347**	**(1,329)**	**0**	**4,365**
Gross Expenditure										
As reported in the CIES	2,040	4,356	5,677	4,047	6,009	20,432	1,428	2,008	1,308	47,305
Directorates										
Corporate Services	1,957	0	59	296	0	19,411	1,428	878	0	24,029
Environment and Planning	83	1,013	4,904	4,882	0	0	0	0	0	10,882
Community Services	0	3,343	714	177	0	1,022	0	0	0	5,256
HRA	0	0	0	0	6,009	0	0	0	0	6,009
Support Services	0	0	0	0	0	0	0	1,129	0	1,129
Total Adjustments between SERCOP classifications & management reporting	**2,040**	**4,356**	**5,677**	**5,355**	**6,009**	**20,433**	**1,428**	**2,007**	**0**	**47,305**
Gross Income										
As reported in the CIES	(1,383)	(1,066)	(1,230)	(2,022)	(14,169)	(19,652)	(81)	(3,337)	0	(42,940)
Directorates										
Corporate Services	(1,244)	0	0	(440)	0	(19,333)	(81)	(1,392)	0	(22,490)
Environment and Planning	(139)	(787)	(1,192)	(1,569)	0	0	0	0	0	(3,687)
Community Services	0	(279)	(39)	(12)	0	(320)	0	0	0	(650)
HRA	0	0	0	0	(14,169)	0	0	0	0	(14,169)
Support Services	0	0	0	0	0	0	0	(1,944)	0	(1,944)
Total Adjustments between SERCOP classifications & management reporting	**(1,383)**	**(1,066)**	**(1,231)**	**(2,021)**	**(14,169)**	**(19,653)**	**(81)**	**(3,336)**	**0**	**(42,940)**

Supplementary Analysis for the CIES Expenditure and Income Analysed by Nature

2015-16 £000's		2016-17 £000's
	Expenditure	
12,486	Employees benefit expenses	12,280
29,558	Other service expenses	29,167
2,803	Depreciation, amortisation and impairment	(34,590)
1,535	Precepts	1,742
588	(Gains)/losses on disposal	(709)
2,854	External interest paid	2,965
2,794	Pension interest costs	2,677
594	Council Tax/NDR	2,033
430	Contribution to Housing Pooled Capital Receipts	470
53,642		**16,035**
	Income	
(18,377)	Fees and Charges and other service income	(21,450)
(26,663)	Grants and Contributions	(25,172)
(212)	Interest and investment income	(59)
(8,357)	Council Tax/NDR	(10,910)
(1,549)	Expected return on pension assets	(1,707)
(55,158)		**(59,298)**
(1,516)	**Surplus on provision of services**	**(43,263)**

Supplementary Analysis for the CIES Segment Reporting

	Community Services £000''s	Corporate Services £000''s	Environment and Planning £000''s	Support Services £000''s	HRA £000''s	Total £000''s
2015-16						
Revenues from External Customers	(164)	(1,439)	(2,474)	(174)	(14,126)	(18,377)
2016-17						
Revenues from External Customers	(625)	(1,911)	(3,688)	(1,332)	(13,894)	(21,450)

1. Accounting Standards Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- **Presentation of Financial Statements** (Code Section 3.4), which has been amended to reflect the December 2014 changes to IAS 1 *Presentation of Financial Statements* under the International Accounting Standards Board (IASB) Disclosure Initiative - See Module 3, Sections A and D-G of the 2016/17 Code Guidance Notes.

- **Narrative Reporting** – (Code Section 3.1) reflects the requirements of the Accounts and Audit Regulations 2015 for English authorities in respect of the narrative statement. Further guidance is provided in Module 3, Section B of the 2016/17 Code Guidance Notes.

- **Related Party Disclosures** (Code Section 3.9), which includes an addition to the definition of a related party in relation to key management personnel - See Module 3, Section Q of the 2016/17 Code Guidance Notes.

- **Statements Reporting Reviews of Internal Controls** (Code Section 3.7) in Module 3 (Section O) for the changes to the *Delivering Good Governance in Local Government: Framework* (2016) published by CIPFA and SOLACE -See Module 3, Section O of the 2016/17 Code Guidance Notes.

- **Statements Reporting Reviews of Internal Controls** (Code Section 3.7) in Module 3 (Section O) for the changes to the *Delivering Good Governance in Local Government: Framework* (2016) published by CIPFA and SOLACE -See Module 3, Section O of the 2016/17 Code Guidance Notes.

2. Critical Judgements in Applying Accounting Policies

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

- In preparing the 2016/17 financial statements the Council have completed a review of property plant and equipment held to review the basis of the valuation. This has been completed with the involvement of out external valuers. Based on this review the Council have decided that investments assets and under the IFRS requirements do not meet the definition of investment assets as they are not held purely for the generation of rental income or capital gain or a mixture of both.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainly 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.

2. Critical Judgements in Applying Accounting Policies (continued)

- 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 Narrative Report.
- 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 million in 2015/16 to acquire a designated block (Block C).

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

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

The items in the Council's Balance Sheet at 31st March 2017 for which there is 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	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. 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. If an asset is impaired the carrying amount of the asset is reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are made by actuaries appointed by Leicestershire County Council who administer the pension fund.	The effect on the net pension liability of changes in individual assumptions can be measured. For instance: • A decrease in the discount rate assumption would result in an increase in pension liability. • A one year increase in member life expectancy would result in an increase in pension liability. • An increase in the pension rate would result in an increase in pension liability. • A 1% increase in the pension liability would decrease the Council's net assets by £0.276 million.

4. Material Items of Income and Expenses

Transactions relating to the Regional Growth Fund (RGF), whilst not material in 2016/17 have been detailed separately in order to provide a comparison to the exceptional item disclosed in 2015/16.

There are no other material items, not otherwise disclosed in the Comprehensive Income and Expenditure Statement and other schedules that require disclosure here.
HRA assets have been revalued based on the latest guidance from CLG which has changed the social housing adjustment factor for dwellings from 34% to 42% in 2016/17.

5. Events After the Balance Sheet Date

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

Adjusting Events

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

Non-adjusting Events

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

The European Union (EU) Referendum took place on the 23rd June 2016, and led to a majority vote to end the UK's membership of the EU. In Line with accounting standards we are disclosing this, but at this time there is uncertainty as to the effect this will have and as a result is unquantifiable.

The Statement of Accounts were authorised for issue on 24th August 2017 by A. Wilson, Head of Finance.

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

6. Adjustments between Accounting Basis and Funding Basis under Regulation

2016/17

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Adjustment primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute						
Charges for depreciation/amortisation of non current Assets	(1,443)	(2,111)	0	0	0	3,554
Revaluation (losses)/gains on Property Plant and Equipment	208	37,937	0	0	0	(38,145)
Revenue expenditure funded from capital under statute	(1,152)	0	0	0	0	1,152
Capital Expenditure Financed from Unapplied Grants and Contributions	355	0	0	0	0	(355)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(120)	(1,910)	0	0	0	2,030
Capital expenditure Charged to Fund Balances	150	0	0	0	0	(150)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute						
Statutory provision for the financing of capital investment	1,058	0	0	0	0	(1,058)
Adjustments Primarily Involving the Capital Grants Unapplied Account						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,071	6	0	0	(1,077)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	565	2,882	0	0	0	(3,447)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	732	(732)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	160	2,576	(2,736)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(470)	0	470	0	0	0

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repair Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Adjustments primarily involving the Capital Receipts Reserve *(continued)*						
Application of Capital Receipts to finance new Capital Expenditure	0	0	307	0	0	(307)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,009	0	(3,009)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,808	0	(2,808)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,681)	(355)	0	0	0	3,036
Employer's Pension contributions and direct payments to pensioners payable in the year	1,645	323	0	0	0	(1,968)
Capital Cost of Early Retirement	0	0	0	0	0	0
Adjustments involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	83	0	0	0	0	(83)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(27)	0	0	0	0	27
Adjustment involving the Accumulated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	13	2	0	0	0	(15)
Adjustment involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	3	0	0	0	0	(3)
TOTAL ADJUSTMENTS	**(582)**	**42,359**	**(1,959)**	**(201)**	**(345)**	**39,272**

2015/16

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
Adjustment primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute						
Charges for depreciation/amortisation of non current Assets	(3,325)	(1,582)	0	0	0	4,907
Revaluation (losses)/gains on Property Plant and Equipment	543	1,560	0	0	0	(2,103)
Revenue expenditure funded from capital under statute	(2,026)	0	0	0	0	2,026
Capital Expenditure Financed from Unapplied Grants and Contributions	766	0	0	0	0	(766)
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	(988)	(770)	(142)	0	0	1,900
Capital expenditure Charged to Fund Balances	49	0	0	0	0	(49)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute						
Statutory provision for the financing of capital investment	919	0	0	0	0	(919)
Adjustments Primarily Involving the Capital Grants Unapplied Account						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	525	0	0	0	(525)	0
Application of earmarked reserves to capital financing transferred to the Capital Adjustment Account	1,164	1,631	0	0	0	(2,795)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,377	(1,377)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	1,169	(1,169)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(430)	0	430	0	0	0

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Receipts Reserve *(continued)*						
Application of Capital Receipts to finance new Capital Expenditure	0	0	2,297	0	0	(2,297)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,007	0	(3,007)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,800	0	(2,800)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,326)	(403)	0	0	0	3,729
Employer's Pension contributions and direct payments to pensioners payable in the year	1,571	292	0	0	0	(1,863)
Capital Cost of Early Retirement	0	0	0	0	0	0
Adjustments involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	25	0	0	0	0	(25)
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	(312)	0	0	0	0	312
Adjustment involving the Accumulated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	5	0	0	0	0	(5)
Adjustment involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	3	0	0	0	0	(3)
TOTAL ADJUSTMENTS	**(4,837)**	**4,904**	**1,416**	**(207)**	**852**	**2,128**

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 2016/17. In addition the note outlines balances of unapplied grants and contributions.

	Balance at 31st March 2015	Transfers out 2015/16	Transfers in 2015/16	Balance at 31st March 2016	Transfers out 2016/17	Transfers in 2016/17	Balance at 31st March 2017
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund:							
Commutation and Feasibility	26	0	0	26	(26)	0	0
Benefits	142	(83)	0	59	0	0	59
Local Plan Procedure	524	(13)	165	676	(187)	180	669
Pensions Contributions	162	0	0	162	0	0	162
Waste Management	642	(523)	155	274	(200)	0	74
ICT	212	(32)	0	180	(24)	50	206
Project Management/Masterplan	1,626	(365)	0	1,261	(150)	0	1,111
Housing and Planning Delivery Grant	50	(10)	0	40	(11)	0	29
Workforce Strategy	13	0	0	13	(13)	0	0
Elections	112	(46)	56	122	0	0	122
Grounds Maintenance Machinery Replacement	59	0	49	108	0	25	133
Transformation	106	(42)	100	164	(117)	100	147
Relocation	101	0	0	101	0	0	101
Special Expenses	301	(154)	0	147	(5)	0	142
Carry Forwards	100	(100)	205	205	(205)	266	266
Hub Future Rental Management	0	0	0	0	0	100	100
Business Rates Pooling	170	(136)	637	671	0	1,046	1,717
Leisure Centre	698	(698)	250	250	(250)	0	0
Hinckley Club for Young People	5	0	5	10	0	10	20
Market Income Management	15	0	0	15	(15)	0	0
Car Parking Income	25	0	0	25	(25)	0	0
Appeals	172	(51)	101	222	(222)	0	0
Enforcement	94	0	20	114	0	156	270
Planning Capacity	83	0	0	83	(83)	0	0
Earl Shilton Toilets	0	0	0	0	0	100	100
Developing Communities Fund	0	0	0	0	0	950	950
Total Earmarked Reserves	**5,438**	**(2,253)**	**1,743**	**4,928**	**(1,533)**	**2,983**	**6,378**
Unapplied Grants and Contributions	3,841	(2,034)	1,182	2,989	(1,213)	1,554	3,330
Total General Fund	**9,279**	**(4,287)**	**2,925**	**7,917**	**(2,746)**	**4,537**	**9,708**
Housing Revenue Account:							
HRA Piper Balance	138	0	14	152	(6)	10	156
HRA Communal Furniture	4	0	1	5	0	0	5
HRA Housing Repairs Account	697	(19)	0	678	(235)	0	443
Major Repairs Reserve	0	(2,800)	3,007	207	(2,807)	3,009	409
Regeneration	8,754	(1,631)	2,953	10,076	(2,876)	2,967	10,167
Pension Contributions	29	0	0	29	0	4	33
Service Improvement	50	0	0	50	0	0	50
HRA Carry forwards	3	0	0	3	0	40	43

7. Transfers To/From Earmarked Reserves (continued)

Total HRA Earmarked Reserves	**9,675**	**(4,450)**	**5,975**	**11,200**	**(5,924)**	**6,030**	**11,306**
HRA Unapplied Grants and Contributions	**7**	**0**	**0**	**7**	**0**	**6**	**13**
Total Housing Revenue Account	**9,682**	**(4,450)**	**5,975**	**11,207**	**(5,924)**	**6,036**	**11,319**
TOTAL	**18,961**	**(8,737)**	**8,900**	**19,124**	**(8,670)**	**10,573**	**21,027**

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.

7. Transfers To/From Earmarked Reserves (continued)

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.

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 employer’s pension contributions resulting from triennial valuations of the Pensions Fund and requirements for “opt in” in 2017.

7. Transfers To/From Earmarked Reserves (continued)

Transformation Reserve

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

Earl Shilton Toilets Reserve

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

Developing Communities Fund

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

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

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.

7. Transfers To/From Earmarked Reserves (continued)

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.

8. Other Operating Expenditure

	2016/17 £000's	2015/16 £000's
(Gain)/ Losses on disposal of Non Current Assets	(709)	588
Amounts due to Precepting Authorities	1,742	1,535
Contribution to Housing pooled Capital Receipts	470	430
Total	**1,503**	**2,553**

9. Financing and Investment Income and Expenditure

	2016/17 £000's	2015/16 £000's
Interest payable and similar charges *	2,959	2,854
Pension Interest Costs (see note 40)	2,677	2,794
Net Surplus of Undertakings (see note 28)	(378)	(678)
Interest and Investment Income	(59)	(212)
Expected return on pension assets (see note 40)	(1,707)	(1,549)
Total	**3,492**	**3,209**

* - Interest payable in 2016/17 includes £2.088 million interest on HRA self financing loans.

10. Taxation and Non Specific Grant Income

	2016/17 £000's	Restated* 2015/16 £000's
Council Tax	(6,057)	(5,613)
Revenue Support Grant	(1,257)	(1,121)
National Non Domestic Rates	(2,820)	(2,150)
New Homes Bonus	(2,916)	(1,982)
Council Tax Freeze Grant	0	(232)
Council Tax Support Grant	0	(545)
Total	**(13,050)**	**(11,643)**

* - Reclassification to make note more user friendly with no prior period amendment.

11. Property, Plant and Equipment

2016/17

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infra-Structure Assets	Community Assets	Assets Under Construction	Surplus Assets *	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation								
At 1st April 2016	132,566	34,100	7,090	1,674	4,561	14,384	0	194,375
Transfers	0	12,405	0	(168)	255	(14,382)	1,890	0
Additions	4,527	2,625	286	0	127	1,285	0	8,850
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	0	3,054	0	0	0	0	0	3,054
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	21	0	0	0	0	0	21
Derecognition -Disposals	(1,910)	(121)	0	0	0	0	0	(2,031)
Other Movements in the cost of valuation	0	0	0	0	0	0	0	0
At 31st March 2017	**135,183**	**52,084**	**7,376**	**1,506**	**4,943**	**1,287**	**1,890**	**204,269**
Accumulated Depreciation and Impairment								
At 1st April 2016	0	0	(2,919)	(334)	0	0	0	(3,253)
Depreciation Charge	(2,042)	(519)	(721)	(56)	0	0	0	(3,338)
Depreciation written out to the Revaluation Reserve	0	194	0	0	0	0	0	194
Depreciation written out to the Surplus/Deficit on the Provision of Services	37,937	188	0	0	0	0	0	38,125
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31st March 2017	**35,895**	**(137)**	**(3,640)**	**(390)**	**0**	**0**	**0**	**31,728**
Net Book Value								
At 31st March 2017	**171,078**	**51,947**	**3,736**	**1,116**	**4,943**	**1,287**	**1,890**	**235,997**
At 31st March 2016	**132,566**	**34,100**	**4,171**	**1,340**	**4,561**	**14,384**	**0**	**191,122**

*** Relates to the former Middlefield Lane depot site which was previously classified as Other Land and Buildings**

11. Property, Plant and Equipment (continued)

2015/16

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infra-Structure Assets	Community Assets	Assets Under Construction	TOTAL
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Cost or valuation							
At 1st April 2015	128,937	21,093	6,932	1,506	4,561	4,241	167,270
Transfers	0	10,942	0	0	0	(830)	10,112
Additions	4,480	4,614	158	168	0	10,973	20,393
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	0	411	0	0	0	0	411
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	31	(1,942)	0	0	0	0	(1,911)
Derecognition -Disposals	(882)	(1,018)	0	0	0	0	(1,900)
Other Movements in the cost of valuation	0	0	0	0	0	0	0
At 31st March 2016	**132,566**	**34,100**	**7,090**	**1,674**	**4,561**	**14,384**	**194,375**
Accumulated Depreciation and Impairment							
At 1st April 2015	0	0	(2,321)	(278)	0	0	(2,599)
Depreciation Charge	(1,522)	(2,620)	(598)	(56)	0	0	(4,796)
Depreciation written out to the Revaluation Reserve	0	127	0	0	0	0	127
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,522	2,493	0	0	0	0	4,015
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0
At 31st March 2016	**0**	**0**	**(2,919)**	**(334)**	**0**	**0**	**(3,253)**
Net Book Value							
At 31st March 2016	**132,566**	**34,100**	**4,171**	**1,340**	**4,561**	**14,384**	**191,122**
At 31st March 2015	**128,937**	**21,093**	**4,611**	**1,228**	**4,561**	**4,241**	**164,671**

11. Property, Plant and Equipment (continued)

Depreciation

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

Asset Classification	Basis of Depreciation
Council Dwellings	Residual lives based on total life of 80 years but with a minimum residual life of 20 years to reflect enhancements as the Council is at Decent Homes Standard.
Land	Not depreciated.
Operational Buildings	Residual lives provided by the valuer in report of 31st March 2017. Depreciation in 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 2017, the Council had capital commitments of £0.029 million relating a replacement server for the benefits service and £0.205 million for outstanding payments relating to the new leisure centre.

Revaluations

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

A desktop valuation of Council Properties was undertaken by Wilks Head and Eve LLP as at 31st March 2017. 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 2016/17 in accordance with CLG guidance the social housing adjustment factor for dwellings was changed from 34% to 42% in 2016/17. The estimated impact is £37.4 million.

12. Investment Property

As at the 31 March 2016 Investment properties have been reclassified and are now included within property, plant and equipment:

	2016/17 £000's	2015/16 £000's
Opening Balance	0	10,113
Reclassification to PPE	0	(10,113)
Closing Balance	**0**	**0**

13. Heritage Assets

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

	2016/17 £000's	2015/16 £000's
Opening Balance	121	121
Closing Balance	**121**	**121**

14. Intangible Assets

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

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

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £0.218 million charged to revenue in 2016/17 was charged to IT Administration cost centres and then absorbed as an overhead across all the service headings in the net expenditure of respective services.

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

	2016/17 £000's	2015/16 £000's
Opening Balance		
Gross carrying amounts	1,458	794
Accumulated amortisation	(652)	(541)
Net carrying amount – Opening Balance	**806**	**253**
Additions	234	664
Amortisation for the period	(218)	(111)
Gross Carrying Amounts written off in year	0	0
Accumulated amortisation written back in the year	0	0
Net carrying amount – Movements in Year	**16**	**553**
Closing Balance:		
Gross Carrying amounts	1,692	1,458
Accumulated amortisation	(870)	(652)
Net carrying amount - Closing Balance	**822**	**806**

15. Inventories

	2016/17 £000's	2015/16 £000's
Inventories	20	4

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:

	2016/17 £000's	2015/16 £000's
Cash held by the Council	0	0
Bank Current Accounts	(50)	(366)
Short-term deposits with Building Society/Banks	6,878	7,375
Regional Growth Funding – short-term deposit *	29	588
Total Cash and Cash Equivalents held on Balance Sheet	**6,857**	**7,597**

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

17. Investments

The Council's investments are detailed below:

	2016/17 £000's	2015/16 £000's
Loan to Tin Hat Regeneration Partnership (< 1 Year)	0	0
Other Short Term Investments (< 1 Year)	4,000	0
Long Term Investments (> 1 Year)	0	0
Total Investments	**4,000**	**0**

18. Long Term Receivables

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

	2016/17 £000's	2015/16 £000's
North West Leicestershire District Council	111	118
Hinckley Museum	4	5
Car Loans to Employees	57	42
Salary Sacrifice	10	0
Total Long Term Receivables	**182**	**165**

19. Short Term Receivables

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

	2016/17 £000's	2015/16 £000's
Car Loans to Employees	18	16
Salary Sacrifice	10	0
Rail Season Ticket Loan	1	0
Central Government Bodies	909	1,025
Other Local Authorities	645	859
Other Public Bodies	4	0
Housing Rent	745	574
Sundry Debtors	2,630	2,499
Council Tax, Community Charge and NNDR	3,357	3,724
Prepayments	333	279
Provision for Doubtful Debts	(2,174)	(1,809)
Total Short Term Receivables	**6,478**	**7,167**

20. Short Term Payables

	2016/17 £000's	2015/16 £000's
Short Term Payables		
S106 & Play and Open Spaces	882	78
Inland Revenue	211	192
Other Local Authorities	1,654	318
Deferred Income – Green Bins	341	477
Housing Rents	112	97
Regional Growth Funding	10	151
Sundry Creditors	2,738	3,576
Bus Station – Compulsory Purchase Order	1,609	1,609
Central Government Bodies	196	1,228
Council Tax and National Non Domestic Rates	4,389	3,109
Total Short Term Payables	**12,142**	**10,835**
Long Term Payables		
Section 106*	1,380	1,403
Play and Open space	0	1,428
Other Long Term Payables	80	0
Total Payables	**13,602**	**13,666**

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*In 2016/17 Play and Open Space & Section 106 have been disclosed on the same line.

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

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

	2016/17			2015/16		
	Repayable in less than 1 year £000's	**Repayable in more than 1 year £000's**	**Total £000's**	**Repayable in less than 1 year £000's**	**Repayable in more than 1 year £000's**	**Total £000's**
Section 106	882	1,380	2,262	76	1,403	1,479
Play and Open Space*	0	0	0	2	1,428	1,430
Total	**882**	**1,380**	**2,262**	**78**	**2,831**	**2,909**

*2016/17 Play and Open Space contributions are included within S106 amounts.

21. Short Term Provisions

	Capital Cost of Early Retirement Provision £000's	**Redundancy Cost Provision £000's**	**Planning Appeal Provision £000's**	**Business Rate Appeals Provision £000's**	**Total £000s**
Balance at 1st April 2016	**33**	**0**	**50**	**529**	**612**
Additional provisions arising in the year	0	123	10	529	**662**
Amounts used during the year	(16)	(123)	(50)	(130)	**(319)**
Unused amounts reversed in year	0	0	0	0	**0**
At 31st March 2017	**17**	**0**	**10**	**928**	**955**

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.

21. Short Term Provisions (*continued)*

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. The amounts used in year refers to the cost of redundancy packages agreed and paid in the year. For 2016-17 this represented these costs in relation to two employees.
- 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.

22. Other Long term Liabilities

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

	31st March 2017 £000's	31st March 2016 £000's
Pensions Liability (see note 40)	34,243	27,670
Finance lease liabilities (see note 36)	8,275	8,701
Total Long Term Liabilities	**42,518**	**36,371**

23. Usable Reserves

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

24. Unusable Reserves

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

	31st March 2017 £000's	31st March 2016 £000's
Revaluation Reserve	(7,322)	(4,206)
Capital Adjustment Account	(122,306)	(81,909)
Financial Instrument Adjustment Account	13	16
Collection Fund Adjustment Account – Council Tax	(231)	(149)
Collection Fund Adjustment Account – NNDR	426	400
Pension Fund Reserve	34,243	27,670
Accumulated Absences Adjustment Account	111	126
Total Unusable Reserves	**(95,066)**	**(58,052)**

NB – figures in brackets represent credit balances

Revaluation Reserve

The Revaluation Reserve contains the gains arising from increase in the value of Property, Plant and Equipment and Intangible Assets. The balance is reduced when asset with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date the reserve was created.

2015/16 £000's		2016/17 £000's
(3,746)	Balance at 1st April	**(4,206)**
(708)	Upward revaluation of assets	(3,357)
170	Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the provision of services	109
0	Accumulated gains on assets sold or scrapped/ written off to the Capital Adjustment Account	106
78	Write down to reflect the consumption of revaluation gains through depreciation	26
(4,206)	**Balance at 31st March**	**(7,322)**

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.

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.

2015/16 £000's		2016/17 £000's
(77,558)	Balance at 1st April	**(81,909)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:	
4,907	Charges for depreciation and impairment of non current Assets	3,554
(2,105)	Revaluation losses/gains on Property, Plant and Equipment	(38,145)
2,026	Revenue expenditure funded from Capital under statute	1,152
1,900	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	1,925
6,728		(31,514)
(78)	Adjusting amounts written out of the revaluation reserve	(26)
6,650		(31,540)
	Capital financing applied in the year:	
(2,298)	Use of the Capital Receipts Reserve to finance new capital expenditure	(307)
(2,800)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,808)
(766)	Capital grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	(355)
(1,377)	Application of grants to capital financing from the Capital Grants Unapplied Account	(732)
(919)	Statutory provisions for financing of capital investment charged against the General Fund and HRA balances	(1,058)
(2,841)	Capital expenditure charged against the General Fund and HRA balances	(3,597)
(11,001)		(40,397)
(81,909)	**Balance at 31st March**	**(122,306)**

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.

2015/16 £000's		2016/17 £000's
19	**Balance at 1st April**	**16**
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)
16	**Balance at 31st March**	**13**

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.

2015/16 £000's		2016/17 £000's
(36)	**Balance at 1st April**	**251**
(25)	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	(83)
312	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	27
251	**Balance at 31st March**	**195**

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.

2015/16 £000's		2016/17 £000's
38,603	**Balance at 1st April**	**27,670**
(12,799)	Actuarial (gains) and losses on pensions assets and liabilities	5,505
3,729	Reversal of items relating to retirement benefits (Debit) or credit to the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement	3,036
(1,863)	Employers pension contributions and direct payments to pensioners payable in the year	(1,968)
0	Capital cost of early retirement	0
27,670	**Balance at 31st March**	**34,243**

Accumulated Absences Adjustment Account

This account absorbs the differences that would otherwise arise on General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2015/16 £000's		2016/17 £000's
131	**Balance at 1st April**	**126**
(131)	Settlement or cancellation of accrual made at the end of the preceding year	(126)
126	Amounts accrued at the end of the current year	111
126	**Balance at 31st March**	**111**

25. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2015/16 £000's		2016/17 £000's
(212)	Interest Received (See note 9)	(59)
2,854	Interest Paid (See note 9)	2,959

26. Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

2015/16 £000's		2016/17 £000's
239,317	Purchase of short-term and long-term investments	219,431
20,485	Purchase of property, plant and equipment, investment property and intangible assets	10,328
(1,312)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(2,740)
(249,967)	Proceeds from short-term and long-term investments	(215,431)
0	Other proceeds not in above	0
8,523	**Net cash flows from investing activities**	**11,588**

27. Cash Flow Statement – Financing Activities

2015/16 £000's		2016/17 £000's
(7,600)	Cash receipts from short and long term borrowing	0
398	Cash payments for the reduction of outstanding liabilities relating to Finance Leases	426
9,600	Repayment of short and long term borrowing	0
906	Other Payments not in above	(661)
3,304	**Net cash flows from financing activities**	**(235)**

28. Trading Operations

The Council operated the following trading services in 2016/17 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.

	2016/17 Income £000's	2016/17 Expenditure £000's	2016/17 (Surplus)/ Deficit £000's	2015/16 (Surplus)/ Deficit £000's
Markets	(140)	179	39	47
Industrial Estates	(667)	326	(341)	(505)
Grounds Maintenance DSO	(1,032)	878	(154)	(188)
Housing Repairs DSO	(1,467)	1,522	55	(32)
External Painting	(114)	137	23	0
Net (surplus)/deficit reported in Financing and Investment Income	(3,420)	3,042	(378)	(678)

29. Members' Allowances

Total members' allowances paid in 2016/17 were £224,873 (2015/16 - £205,993) and £6,180 were paid for members' expenses (2015/16 – £7,790).

30. External Audit Costs

In 2016/17 Hinckley and Bosworth Borough Council incurred the following fees relating to external audit and inspection:

	2016/17 £000's	**2015/16* £000's**
External Audit Services	49	50
Certification of grant claims and returns*	15	37
Non Audit Works	2	4
Total fees payable	**66**	**91**

* Included in 2015/16 Certification of grant claims and returns are amounts for Ernst & Young LLP and PricewaterhouseCoopers LLP.

2015/16 was the first year of Ernst & Young appointment as External Auditors.

For 2015/16 there is an amount of £0.022 million included for grant certification work undertaken by PricewaterhouseCoopers LLP.

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

31. Grant Income

The

	2016/17 £000's	2015/16 £000's
Credited to Taxation and Non Specific Grant Income: (see Note 10)		
Revenue Support Grant	1,257	1,121
New Homes Bonus	2,916	1,982
Council Tax Freeze Grant	0	232
Council Tax Support Grant	0	545
Total	**4,173**	**3,880**
Credited to Services:		
Disabled Facilities	251	251
Waste and Recycling	490	457
Syrian refugees	4	0
Homelessness	50	49
Housing Benefit Administration	245	396
Benefit Reimbursements	17,798	18,469
Council Tax Admin Grant	117	20
Housing Assistance Grant	67	0
Developer Contributions	365	0
Community Safety	34	39
Sports Grants	137	246
Play and Open Space	505	686
Elections	18	153
NNDR Cost of Collection	125	124
Planning Site Delivery Fund	0	15
Homes and Communities Agency	40	55
Universal Credit	13	34
New Burdens	48	189
Business Rates Retention	620	722
Planning Aid	0	30
Transformation Funding	0	694
Works in Default	19	0
Other Government Grant	47	0
DECC	0	141
Other	6	**13**
Total	**20,999**	**22,783**
Total	**25,172**	**26,663**

council has £81,122 of income held as a capital grants received in advance. Of this, £57,494 relates to the new leisure centre and £11,056 relates to a grant from the East Midlands Development Agency. Both are yet to be recognised as income.

32. Related Party Transactions

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

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

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 £1.195 million. Primal expenditure including precept payments was £41.0 million (£38.6 million 2015/16).

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.

There are no material transactions or evidence suggesting undue influence in relation to Members or Officers.

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.

	2016/17 £000's		2015/16 £000's	
Opening Capital Financing Requirement		**105,999**		**94,105**
Capital Investment				
Property Plant and Equipment	8,850		20,393	
Investment Properties	0		0	
Intangible Assets	234		663	
Revenue Expenditure funded from Capital under Statute	1,152		2,026	
Total Expenditure in year		**10,236**		23,082
Internal Financing of Capital Expenditure				
Application of Usable Capital Receipts	(307)		(2,298)	
Application Capital Grants Contributions/ Reserves	(7,091)		(7,485)	
Capital Financed from Revenue	(1,458)		(1,218)	
Future Capital Receipts	0		(187)	
Total Internal Financing		(8,856)		(11,188)
Closing Capital Financing Requirement		**107,379**		**105,999**
Explanation of Movements in year:				
Unsupported Financial Assistance		(2,439)		(12,813)
Minimum revenue provision		1,059		919
Increase in Capital Financing Requirement		**(1,380)**		**(11,894)**

34. Amounts Reported for Resource Allocation Decisions

This note has been superseded by the Expenditure and Funding analysis (EFA).

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	2016/17 Number of employees	2015/16 Number of employees
£50,000 - £54,999	3	4
£55,000 - £59,999	5	3
£60,000 - £64,999	3	2
£65,000 - £69,999	1	1

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(Former) [1]	2015/16	136,712	0	0	0	0	136,712	23,651	160,363
	2016/17	131,302	0	0	0	0	131,302	17,916	149,218
Chief Executive (Current) [2]	2016/17	27,500	0	0	0	0	27,500	4,758	32,258
Deputy Chief Executive Community Direction [1]	2015/16	97,612	0	0	0	0	97,612	16,882	114,494
	2016/17	73,580	0	0	0	0	73,580	12,729	86,309
Deputy Chief Executive Corporate Direction [3]	2015/16	97,612	0	0	0	0	97,612	16,882	114,494
	2016/17	21,256	0	0	93,202	0	114,458	2,829	117,287
Chief Officer - Housing, Community Safety & Partnerships [1]	2015/16	68,850	0	0	0	0	68,850	11,911	80,761
	2016/17	52,154	0	0	0	0	52,154	9,022	61,176
Director (Community Services) [2]	2016/17	18,750	0	0	0	0	18,750	3,244	21,994
Chief Officer - Environmental Health [1]	2015/16	68,850	0	0	0	0	68,850	11,911	80,761
	2016/17	52,154	0	0	0	0	52,154	9,022	61,176

Director (Environment and Planning) [2]	2016/17	18,750	0	0	0	0	18,750	3,244	21,994
*Chief Officer - Corporate Governance & Housing Repairs [1]	2015/16 2016/17	71,050 59,304	0 0	0 0	0 0	0 0	71,050 59,304	12,292 10,259	83,342 69,563
Director (Corporate Services) [2]	2016/17	18,750	0	0	0	0	18,750	3,244	21,994
**Chief Officer – Finance, Customer Services & Compliance [4]	2015/16 2016/17	45,157 9,964	0 0	0 0	0 26,471	0 0	45,157 36,435	10,125 129	55,282 36,564
Head of Finance [2]	2015/16 2016/17	0 16,112	0 0	0 0	0 0	0 0	0 16,112	0 2,787	0 18,899

Notes

1. Covers the period 1st April – 31st December 2016
2. Covers the period 1st January – 31st March 2017 (Senior Management Restructure implemented)
3. Covers the period 1st April – 31st May 2016
4. Covers the period 1st April – 30th September 2016
5. The Head of Finance post was partially covered by a consultant during 2015-16 and 2016-17. The cost of the consultant was £22,386 in 2015-16 and £51,791 in 2016-17.
6. The senior management structure of the council was restructured in 2016-17. The table below summarises the various senior management/leadership teams in place for 2015-16 and 2016-17 and the respective number of staff in each.

	2015-16	2016-17
Corporate Operations Board	4	0
Chief Executive	1	1
Deputy Chief Executive	2	0
Directors	0	3
Head of Finance	1	1

35. Officers' Remuneration (continued)

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

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2016/17	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17 £**	**2015/16 £**
£0 - £20,000	0	0	0	8	0	8	0	81,528
£20,001 – £40,000	0	0	1	0	1	0	26,471	0
£40,001-£60,000	0	0	0	0	0	0	0	0
£60,001-£80,000	0	0	0	0	0	0	0	0
£80,001-£100,000	0	0	1	0	1	0	93,202	0
Total	**0**	**0**	**2**	**8**	**2**	**8**	**£119,673**	**81,528**

36. Leases

Council as Lessee

Finance Leases

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

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

	31st March 2017 £000's	***31st March 2016 £000's***
Other Land and Buildings	6,831	6,831
Vehicles, Plant, Furniture and Equipment	848	1,105
Total Value	**7,679**	**7,936**

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:

	2016/17 £000's	**2015/16 £000's**
Finance lease liabilities (net present value of minimum lease payments):		
Current	518	431
Non Current	7,757	8,270
Finance Costs payable in future years	11,619	12,196
Minimum Lease Payments	**19,894**	**20,897**

	Minimum Lease Payments		***Finance Lease Liabilities***	
	31st March 2017 £000's	**31st March 2016 £000's**	**31st March 2017 £000's**	**31st March 2016 £000's**
Within One year	1,053	1,004	518	431
Between one and five years	2,431	2,875	353	769
After five years	16,410	17,018	7,404	7,501
Total	**19,894**	**20,897**	**8,275**	**8,701**

Operating Leases (As Lessor)

The Council acts as a lessor for industrial and commercial units, rented under operating leases. In addition to this the Council commenced a number of license type leases in 2014/15 for rental of space in the Hinckley Hub. The total rental income from the operating leases in 2016/17 was £1,344,805 (£1,179,146 2015/16).

Lease payments due

	2016/17 £000's	***2015/16 £000's***
Not later than one year	1,467	1,405
Later than one year and not later than five years	6,642	6,674
	8,109	**8,079**

37. Impairment Review

During 2016/17, 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 £0,056 million in the Comprehensive Income and Expenditure Statement split as follows:

	2016/17 £000's	2015/16 £000's
Property Plant and Equipment	56	144
Investment Property	0	0
Total Impairment Loss	**56**	**144**

38. Capitalisation of Borrowing Costs

No borrowing costs have been capitalised in the year. (£nil in 2015/16)

39. Termination Benefits

The Council made payments relating to voluntary redundancy/exit packages to employees in 2016/17 totalling £116,803 (£76,868 in 2015/16) and incurred no capital costs of early retirement (£11,906 in 2015/16). No compulsory redundancies were made. There were no additional costs due in respect of payments for arrangements that had been agreed as at 31st March 2017 but were to be paid until 2017/18 (£4,660 in 2015/16).

40. Pensions and Retirement Benefits

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

The objectives of IAS 19 are to ensure that:-

a) Financial statements reflect at fair value assets and liabilities arising from an employer's retirement benefit obligations and any related funding;

b) The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise; and

c) The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

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

Participation in Pension Schemes

40. Pensions and Retirement Benefits (continued)

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

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

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

Payments to the Pension Fund

It is budgeted that the Council will pay Leicestershire County Council £1.848 million in employer's pension contributions in the year 2017/18.

Transactions Relating to Retirement Benefits

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

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

40. Pensions and Retirement Benefits (continued)

Income and Expenditure Account

Local Government Pension Scheme

Income and Expenditure Account	**2016/17 £000's**	**2015/16 £000's**
Net Cost of Service		
Current Service Cost	2,049	2,441
Past Service Cost (Gain)	0	26
Effect of Curtailments/Settlements	0	0
Administration Expenses	17	17
Net Operating Expenditure		
Pension Interest Costs	2,677	2,794
Expected return on Assets	(1,707)	(1,549)
Net Interest Cost	**970**	**1,245**
Total charged to Comprehensive Income and Expenditure Statement	**3,036**	**3,729**
Statement of Movement on the General Fund Balance		
(Reversal of) Net Charges Made for Retirement Benefits in Accordance with IAS19	(3,036)	(3,729)
Actual Amount Charged Against General Fund Balance for Pensions in Year	**1,884**	**1,779**

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £5,505 million (2015/16 gains of £12.799 million) were included in the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2017 is £27.367 million (£21.862 million to 31st March 2016).

Local Government Pension Scheme

Balance Sheet Recognition	**31st March 2017 £000's**	**31st March 2016 £000's**
Present value of the defined benefit obligation	94,497	76,483
Fair value of plan assets	(60,254)	(48,813)
Net liability arising from defined benefit obligation	**34,243**	**27,670**

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			
	2016/17 Unfunded	**2016/17 Funded**	**2015/16 Unfunded**	**2015/16 Funded**
	£000's	**£000's**	**£000's**	**£000's**
Fair value of plan assets at 1 April	0	48,813	0	48,371
Interest on plan assets	0	1,707	0	1,549
Remeasurements (assets)	0	9,735	0	(1,190)
Business Combinations	0	0	0	0
Settlements	0	0	0	0
Employer contributions	84	1,884	84	1,779
Member contributions	0	544	0	549
Benefits/transfers paid	(84)	(2,429)	(84)	(2,245)
Fair Value of plan assets as at 31 March	**0**	**60,254**	**0**	**48,813**

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

	Local Government Pension Scheme			
	2016/17 Unfunded	**2016/17 Funded**	**2015/16 Unfunded**	**2015/16 Funded**
	£000's	**£000's**	**£000's**	**£000's**
Benefit obligation at 1 April	1,296	75,187	1,434	85,540
Current service cost		2,049	0	2,441
Interest on pension liabilities	0	2,677	0	2,794
Member contributions	0	544	0	549
Past service cost (gain)	0	0	0	26
Remeasurements (liabilities)	189	15,051	(54)	(13,935)
Benefits/transfers paid	(84)	(2,429)	(84)	(2,245)
Administration expenses	0	17	0	17
Benefit obligation as at 31 March	**1,401**	**93,096**	**1,296**	**75,187**

40. Pensions and Retirement Benefits (continued)

Local Government Pension Scheme Assets comprised:

Local Government Pension Scheme Assets

Asset Category	**31st March 2017**	**31st March 2016 £000's**
Cash & Cash Equivalents	3,848	976
Equity Instruments		
Other	1,557	1,334
Bonds		
Government	5,189	2,577
Other	660	2,009
Property		
UK Property	4,842	4,971
Private Equity		
All	2,275	1,874
Other Investment Funds		
Equities	28,859	23,948
Bonds	5,403	5,253
Hedge Funds	2,023	2,215
Commodities	1,420	1,049
Infrastructure	2,697	1,275
Other	1,509	1,350
Derivatives	(28)	(18)
Total	**60,254**	**48,813**

Scheme History

	31st March 2017 £000's	**31st March 2016 £000's**	**31st March 2015 £000's**	**31st March 2014 £000's**	**31st March 2013 £000's**	**31st March 2012 £000's**
Present Value of Scheme Liabilities	(94,497)	(76,483)	(86,974)	(73,173)	(64,713)	(55,299)
Fair Value of Scheme Assets	60,254	48,813	48,371	42,031	39,526	34,779
Net (Liability)/ Asset	**(34,243)**	**(27,670)**	**(38,603)**	**(31,142)**	**(25,187)**	**(20,520)**

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:

Assumptions as at :	31st March 2017 Per Annum	31st March 2016 Per Annum
Pension Increase Rate	2.4%	2.2%
Rate of Increase in Salaries	3.4%	3.2%
Rate for Discounting Scheme Liabilities	2.6%	3.5%

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

Changes in assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate monetary amount (£000's)
0.5% decrease in Real Discount Rate	10%	9,441
0.5% increase in the Salary Increase Rate	2%	1,527
0.5% increase in the Pension Increase Rate	8%	7,763

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

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 2017 £'000	**31st March 2016 £'000**	**31st March 2017 £'000**	**31st March 2016 £'000**
Borrowings				
Financial liabilities	75,952	75,952	0	0
Accrued Interest	0	0	6	6
+/- Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost (1)	75,952	75,952	6	6
Financial liabilities at fair value through profit or loss (2)	0	0	0	0
Total included in borrowings	**75,952**	**75,952**	**6**	**6**
Other Long term Liabilities				
Finance lease liabilities	7,757	8,270	518	431
Total other long term liabilities	**7,757**	**8,270**	**518**	**431**
Creditors Financial liabilities at amortised cost	1,460	2,831	7,225	7,277
Total creditors	**1,460**	**2,831**	**7,225**	**7,277**
Soft loans received (3)	0	0	0	0
Investments				
Loans and receivables (principal amount)	0	0	4,000	0
+ Accrued interest	0	0	4	1
Loans and receivables at amortised cost (1)	0	0	4,004	1
Total investments	**0**	**0**	**4,004**	**1**
Debtors				
Loans and receivables	**182**	**165**	**2,788**	**3,164**
Total debtors	**182**	**165**	**2,788**	**3,164**
Soft loans provided (3)	**57**	**42**	**18**	**16**

41. Financial Instruments (continued)

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – Fair value has been measured by:

- Direct reference to published by price quotations in an active market; and/or
- Estimating using a valuation technique

Note 3 – 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 de-recognition 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:

2016/17

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

2015/16

	Liabilities measured at amortised cost	Loans and Receivables	Total
	£000's	£000's	£000's
Interest Expense	2,854	0	2,854
Interest Income	0	(212)	(212)
Net loss/(gain) for the year	**2,854**	**(212)**	**2,642**

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:

Financial Liabilities	31st March 2017		31st March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	75,952	85,965	75,952	91,717
Short term Borrowing	0	0	0	0
Short term creditors	7,225	7,225	7,277	7,277
Short term finance lease liability	518	518	431	431
Long term creditors	1,460	1,460	2,831	2,831
Long term finance lease liability	7,757	7,757	8,270	8,270
Total Liabilities	**92,912**	**102,925**	**94,761**	**110,526**

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

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

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

	31 March 2017		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Short term investments	4,000	4,003	0	0
Short term debtors	2,788	2,788	3,164	3,164
Long term debtors	182	182	165	165
Total Assets	**6,970**	**6,973**	**3,329**	**3,329**

41. Financial Instruments (continued)

Disclosure of nature and extent of risk arising from Financial Instruments

Key risks

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

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

Overall procedures for managing risk

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

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

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

41. Financial Instruments (continued)

The annual Treasury Management Strategy for 2016/17 which incorporates the Prudential Indicators was approved by Council on 18 February 2016 and is available on the Council website. The key points within the Strategy were:

- The Authorised Limit for 2016/17 was set at £113.077 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £109.482 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £109.524 million and £32.857 million based on the Council's net debt.

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

Credit risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £5million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of inability to recover applies to all of the Council's deposits, but there was no evidence at the 31st March 2017 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 it's counterparties in relation to deposits and bonds.

41. Financial Instruments (continued)

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

	General Receivables 31st March 2017 £000's	General Receivables 31st March 2016 £000's
<3 months	706	1,042
3 to 6 months	178	136
6 months to 1 year	63	98
>1year	785	770
	1,732	**2,046**

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

Liquidity risk

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

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

Council deposits of £6.66m in money market accounts at 31st March 2017 were being held for a period of 3 months or less and therefore have been classified as cash and cash equivalents in line with the Code.

Refinancing and Maturity risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. 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 2017 £000's**	**Actual 31st March 2016 £000's**
Less than 1 year	0%	100%	0	0
Between 1 and 2 years	0%	100%	0	0
Between 2 and 5 years	0%	100%	8,824	5,883
Between 5 and 10 years	0%	100%	14,707	14,707
More than 10 years	0%	100%	52,421	55,362
Total	**0%**	**100%**	**75,952**	**75,952**

Market risk

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

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

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

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

Planning Appeals

As at 31st March 2017, one planning appeal resulting from Planning Committee decisions was awaiting to hear from the Planning Inspector. The potential award of costs for these cases, if upheld is estimated at £8,000.

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 31st March 2016, 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 2017/2018 against valuations made in 2016/2017. It is not possible to quantify the potential liabilities arising from these cases.

43. Contingent Assets

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

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

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by Hinckley and Bosworth Borough Council in 2016/17 was £1.224 million (2015/16 £1.242 million).

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

ADDITIONAL *financial* STATEMENTS

THE *Housing Revenue* Statement

THE *Collection Fund*

Housing Revenue Account 2016/17

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.

Housing Revenue Statement 2016/17

2015/16 £000's	HRA INCOME and EXPENDITURE STATEMENT	Notes	2016/17 £000's
	INCOME		
(13,361)	Dwelling Rents	5	(13,126)
(81)	Non Dwelling Rents	5	(82)
(583)	Charges for Services and Facilities		(590)
(144)	Contributions towards Expenditure		(124)
(14,169)	**Total Income**		**(13,922)**
	EXPENDITURE		
2,419	Repairs and Maintenance		2,705
3,111	Supervision and Management		3,130
248	Rents, Rates, Taxes, Other Charges		212
1,582	Depreciation and Impairment of Non-Current Assets	9	2,111
(1,559)	Gain on Revaluation	11	(37,937)
5	Debt Management Costs		4
203	Increase in Bad Debt Provision / Write Offs	6	162
6,009	**Total Expenditure**		**(29,613)**
(8,160)	**Net Cost/(Surplus) of HRA Services per Authority Income and Expenditure Statement**		**(43,535)**
2,088	Interest Payable		2,088
(23)	Interest and Investment Income		(31)
(288)	Surplus on disposal of Non Current Assets		(670)
(6,383)	**Deficit/(Surplus) for the Year on HRA Services**		**(42,148)**
	Items included in HRA I&E but excluded from Movement on the HRA Balance		
(403)	Net charges made for retirement benefits in accordance with IAS 19	10	(355)
288	Surplus on Sale of fixed Assets		670
	Items not included in HRA I&E but included from Movement on the HRA Balance		
1,559	Gain on Revaluation		37,937
3,007	Transfer from Major Repairs Reserve	7	3,009
(1,582)	Depreciation of Non-Current Assets		(2,111)
(19)	Transfers to/(from) Housing Repairs Account	1	(235)
292	Employer's Contributions to the Leicestershire County Council pension scheme & retirement benefits	10	323
2,963	Contribution to/(from) Reserves		3,028
0	Contribution to Pensions Reserve - Capital Cost of Early Retirement		0
0	Movements regarding employee benefits accruals		2
6,105			**42,268**
(278)	**(Surplus)/Deficit for the Year**		**120**
(711)	**Balance Brought Forward 1st April**		**(989)**
(989)	**Balance Carried Forward 31st March**		**(869)**

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.

2015/16 £000's		Notes	2016/17 £000's	2016/17 £000's
	INCOME			
(54,097)	Income from Council Tax		(57,451)	
(30,113)	Income from Business Ratepayers		(32,564)	
(84,210)	**Total Income**			**(90,015)**
	EXPENDITURE			
52,680	Precepts and Demands from County, District, Fire and Police Authorities	14		55,965
29,070	Payments under Business Rates Retention		33,444	
124	Costs of Collection		125	
81,874				89,534
212	Bad and Doubtful debts/appeals – Write Offs		287	
421	Provisions		370	
633				657
	Contributions			
1,477	Distribution of Previous Year's Estimated Balance			(860)
83,984	**Total Expenditure**			**89,331**
(226)	Movement on Fund Balance			(684)
(185)	Opening Fund Balance 1st April			(411)
(411)	**Closing Fund Balance 31st March**			**(1,095)**

Notes to the Additional Financial Statements

1. Housing Repairs Account

2015/16 £000's		Note	2016/17 £000's	2016/17 £000's
	Income			
(3,198)	Contribution from HRA			(3,216)
(1)	Miscellaneous Income			(1)
(3,199)	**Total Income**			**(3,217)**
	Expenditure			
365	Employee costs		374	
1	Premises related costs		0	
3	Transport related costs		4	
99	Supplies and services costs		272	
255	Central support costs		232	
723				882
537	Programmed repairs			600
1,207	Responsive repairs			1,271
2,467	**Total Expenditure**			**2,753**
(732)	**Net Cost of Service**			**(464)**
(27)	IAS 19 Pension Adjustment			(8)
778	Contribution to reserves			707
19	**Deficit/(Surplus) for the year**			**235**
(697)	**Balance brought forward 1st April**			**(676)**
(676)	**Balance carried forward 31st March**			**(441)**

2. Movement in Dwelling Stock

The Council was responsible for managing a housing stock of 3,312 dwellings at 31st March 2017. During the year the following movement took place:

	2016/17 Number	2015/16 Number
Sales (Right to Buy)	(43)	(23)
Additions	1	4
Total Movement	**(42)**	**(19)**

3. Property Types in Dwelling Stock

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

TYPE	2017 Number	2016 Number
1 bedroom bungalows	275	274
1 bedroom houses	2	2
1 bedroom flats *	614	614
2 bedroom bungalows	416	416
2 bedroom houses	302	307
2 bedroom flats	413	417
3 bedroom bungalows	6	6
3 bedroom houses	1,264	1,297
3 bedroom flats	1	1
4 bedroom bungalows	1	1
4 bedroom houses	15	16
5 bedroom houses	3	3
Total Dwellings	**3,312**	**3,354**

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

4. Balance Sheet Value of Council's HRA Assets

	2016/17 £000's	2015/16 £000's
Dwellings	171,078	132,564
Other Land and Buildings	818	808
Operational Assets	**171,896**	**133,372**
Total Assets	**171,896**	**133,372**

The vacant possession value of dwellings within the Council's HRA was £389.54 million. The vacant possession value and Balance Sheet value of dwellings within the HRA, show the economic cost to Government of providing Council housing at less than open market rents.

5. Rent Income

Rent Income can be analysed as follows: -

	2016/17 £000's	2015/16 £000's
Collectable from Tenants	(6,200)	(6,163)
Rent Rebates	(6,926)	(7,198)
Dwelling Rents	(13,126)	(13,361)
Non-dwelling Rents (Shops etc.)	(82)	(81)
Total Rent	**(13,208)**	**(13,442)**

6. Rent Arrears

	2016/17 £000's	2015/16 £000's
Rent Arrears *	744	553
Bad Debt Provision	642	483
Bad Debts Written Off	24	10

*Included in 2016/17 rent arrears is a value for former tenant rent arrears. The equivalent figure for former tenant areas in 2015/16 was £138,435

7. Major Repairs Reserve

	2016/17 £000's	2015/16 £000's
Balance at 1st April	**(207)**	**0**
Amounts transferred to Reserve during year	(3,009)	(3,007)
Amounts transferred from Reserve to HRA during year	0	0
Capital Expenditure	2,808	2,800
Balance at 31st March	**(408)**	**(207)**

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 £5,807 million (£4.555 million 2015/16) was incurred. Expenditure on Dwellings was £5.804 million (£4.480 million in 2015/16), and expenditure on Vehicles Plant and Equipment was £0.003 million (£0.075 million in 2015/16). The sources of funding are shown below:

	2016/17 £000's	2015/16 £000's
Revenue Contributions to Capital	0	0
Capital receipts	118	124
Other Contributions from Reserves	2,881	1,631
External Contributions	0	0
Borrowing	0	0
Major Repairs Reserve	2,808	2,800
Total financing	**5,807**	**4,555**

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

	2016/17 £000's	2015/16 £000's
Right to Buy Dwellings	2,413	1,281
Council House Mortgage Repayments	0	0
Total capital receipts	**2,413**	**1,281**

9. Depreciation/ Impairment

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

	2016/17 £000's	2015/16 £000's
Depreciation		
Dwellings	2,041	1,505
Other Land and Buildings	23	17
Vehicles, Plant & Equipment	47	60
Total Depreciation – Operational	**2,111**	**1,582**
Impairment of Non Current Assets	0	0
Total Depreciation and Impairments	**2,111**	**1,582**

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

To comply with IAS 19, the current service costs for the HRA are calculated separately and incorporated into Supervision and Management and Repairs and Maintenance costs shown. In order that there is no net cost to the HRA, these entries are reversed by the net effect of the following items:

1. Net charges made for retirement benefits in accordance with IAS 19 amounted to £355,000 in 2016/17 (£403,000 in 2015/16).
2. Employer's contributions to the Leicestershire County Council pension fund and retirement benefits payable direct to pensioners. This amounted to £323,000 in 2016/17 (£292,000 in 2015/16).

11. Non-Domestic Rateable Value

	2017 £000's	2016 £000's
Value at 31st March	77,957	75,867

12. National Non-Domestic Rates Multiplier

	2016/17	2015/16
National Non-Domestic Rates multiplier	49.7p	49.3p
Small Business Multiplier	48.4p	48.0p

13. Council Tax Base

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

Band	2016/17	2015/16
A	3,655	3,605
B	9,229	8,996
C	8,197	8,072
D	6,385	6,236
E	4,554	4,401
F	2,766	2,701
G	1,508	1,485
H	105	104
Council Tax Base*	36,399	35,600

* In accordance with relevant regulations, the Council Tax base for the council is rounded to one decimal point. The total taxbase for 2016/17 was approved at 7th January 2016.

14. Significant Precepting Authorities

	2016/17 £000's	2015/16 £000's
Leicestershire County Council	41,036	38,595
Leicestershire Police Authority	6,682	6,408
Leicester, Leicestershire and Rutland Combined Fire Authority	2,243	2,151
Hinckley and Bosworth Borough Council	6,004	5,526
Total	**55,965**	**52,680**

15. Fund Balances

The balance on the Fund is comprised as follows:

	31st March 2017 £000's	31st March 2016 £000's
A Deficit/(surplus) on Council Tax/ NNDR Collection. 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.	(1,095)	(411)

General Principles

The Statement of Accounts (the Statements) summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17 (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 2016/17 financial year.

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

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

- Understandability
- Relevance
- Materiality
- Reliability
- Comparability

Significant changes in accounting policies

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting 2016/17. The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

Revenue Recognition

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

Recognition of Revenues-Council Tax and Non-Domestic Rates

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

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.
The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

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

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

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

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017.

Exceptional Items

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

Value Added Tax (VAT)

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accruals of Income and Expenditure

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

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

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

Interest Income and Expenses

Interest income and expenses are accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable. Interest expenses on a qualifying asset are capitalised.

Allocation of Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi functional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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

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

Government Grants and Contributions

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

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

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

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

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

Revenue Expenditure funded from Capital under Statute

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

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

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

Investment Properties

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

The Council holds no investment properties.

Charges to Revenue for Non-current Assets

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

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

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

Fair Value Measurement

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

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

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

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

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

Property, Plant and Equipment – Recognition and Impairment

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

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

Property, Plant and Equipment – Recognition and Impairment (*Continued)*

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

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

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

Measurement

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Sturgis Snow and Astill, Chartered Surveyors, undertook a full valuation as at 31st March 2014. For March 2017 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.

Property, Plant and Equipment – Depreciation, Impairment and Disposal

Depreciation

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

Depreciation is provided in accordance with the following policies:

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

As part of the annual revaluation exercise, the valuer provides estimated residual lives for all dwellings, 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.

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:

- 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.

Property, Plant and Equipment – Depreciation, Impairment and Disposal (continued)

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

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

Assets under Construction

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

Intangible Assets

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

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

Heritage Assets

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

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

Borrowing Cost

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

Cash and Cash Equivalents

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

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

Assets Held for Sale

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

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

Leases

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Leases (continued)

Operating Leases

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

The Authority as Lessor:

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Provisions

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

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

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

Inventories

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

Reserves

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

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 polices.

Contingent Assets and Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities and assets are not recognised in the Balance Sheet but are disclosed in the notes to the financial statements.

Related Party Transactions

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

Jointly Controlled Operations and Jointly Controlled Assets

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

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

Employee Benefits – Benefits Payable During Employment

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

Employee Benefits – Termination Benefits

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

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

Employee Benefits – Post-employment Benefits

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

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

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

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

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

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

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

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

Remeasurements of the scheme are split between:

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

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

Employee Benefits – Discretionary Benefits

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

Accounting for Precept and NNDR

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

Financial Instruments

Financial Liabilities

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

Financial Assets

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

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

Events after the Reporting Period

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

Two types of events can be identified:

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

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

Term	Definition
Accounting Policies	Principles, bases, rules and practices applied in the preparation of the financial statements.
Accruals	The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.
Actuarial Gains and Losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because a) events have not coincided with the actuarial assumptions made at the last valuation (experience gains or losses) or b) the actuarial assumptions have changed.
Capital Charge	A charge to revenue accounts to reflect the cost of Non Current Assets used in the provision of services.
Capital expenditure	Expenditure on the acquisition of Non Current Assets or expenditure which adds to and not merely maintains the value of an existing asset.
Capital Receipt	Money the Council receives from the sales of assets (buildings, land etc).
CCAB	Consultative Committee for Accountancy Bodies.
CIPFA	Chartered Institute of Public Finance and Accountancy, the principal accountancy body dealing with local government finance.
Community Assets	Land held permanently for the benefit of Borough residents.
Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Corporate and Democratic Core	Activities of the Council due to being an elected, multi purpose body. The cost of these activities is over and above those that would be incurred by a series of independent, single purpose nominated bodies managing the same activities. There is no logical basis for apportioning these costs to services.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

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

Going Concern	The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and the Balance Sheet assume no intention to curtail significantly the scale of operations.
Impairment	The reduction in the valuation of a Property, Plant and Equipment asset or goodwill below its Balance Sheet value and occurs when something adverse has happened to either the asset itself or to the economic environment in which the asset is operated.
Infrastructure Assets	Non Current Assets that are inalienable expenditure on which is recoverable only by continued use of assets created. Examples of infrastructure assets are Highways and Footpaths.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Inventories	Comprise the following categories:- i) goods or other assets purchased for resale; ii) consumable stores; iii) raw materials and components purchased for incorporation into products for sale; iv) products and services in intermediate stages of completion; v) contract balances; vi) finished goods.
Investments (Non Pensions Fund)	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. Investments, other than those in relation to pension's funds, which do not meet the above criteria, are classified as current assets.
Investments (Pensions Fund)	The investments of the Pensions Fund will be accounted for in the Statements of the administering Authority, which is Leicestershire County Council. District Councils are required to disclose as part of the requirements relating to retirement benefits the attributable share of Pensions Scheme assets associated with their underlying obligations.

Investment Properties	Interest in land and/or buildings:- a) in respect of which construction work and development has been completed; and b) which is held for its investment potential, any rental income being negotiated at arm's length.
Major Repairs Reserve	A reserve created to deal with major capital repairs to HRA properties financed from the Major Repairs Allowance.
Minimum Revenue Provision (MRP)	Minimum Revenue Provision is the minimum amount the Council is required to provide for the repayment of long-term debt used to finance the acquisition of Non Current Assets.
Movement in Reserves Statement (MIRS)	The MiRS shows the movement in the year on the various reserves held by the Council. Reserves are classified into usable and unusable reserves. Usable Reserves are those that can be used to cover expenditure or reduce the level of local taxation required. They include the general fund, earmarked reserves and the capital receipts reserve. Unusable reserves tend to arise due to difference in the legal responsibilities that cover how transactions need to be accounted for and accounting requirements. These reserves cannot be used to cover expenditure, and include the pensions reserve, the revaluation reserve and the capital adjustment account.
National Non-Domestic Rates (NNDR)	National Non-Domestic Rates (Business Rates) represents the rate of taxation on business properties. Central Government has the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax.
Net Book Value	The amount at which Non Current Assets are included in the Balance Sheet i.e. their historic cost or current value less the cumulative amounts provided for depreciation.
Net Current Replacement Cost	The cost of replacing or recreating the particular asset in its existing condition and existing use i.e. the cost of its replacement or the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
Net Realisable value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses incurred in realising the asset.
Non-Distributed Costs	These are overheads for which no user benefits and therefore should not be apportioned to services.

Non-Operational Assets	Non Current Assets that are held by a Local Authority but not directly occupied, used or consumed in the delivery of services. Examples would be investment properties and assets surplus to requirements, pending sale or redevelopment.
Operating Leases	A lease other than a finance lease.
Operational Assets	Non Current Assets that are held and occupied used or consumed by the Local Authority in the direct delivery of services for which it has a statutory or discretionary responsibility.
Past Service Cost	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of or improvement to retirement benefits.
Post Balance Sheet Events	Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
Precept	A demand by one public body to another public body to collect revenue from a Council Tax payer.
Projected Unit Method	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:- 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; and ii) The accrued benefits for members in service on the valuation date. The accrued benefits are benefits up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note 27 issued by the Faculty and Institute of Actuaries.
Prudence	The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.
Reserve	Monies set aside for a scheme or event that may happen.
Retirement Benefits	All forms of consideration given by an employer in

	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; i) An employer's decision to terminate an employee's employment before normal retirement date Or ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
Revenue expenditure	Any expenditure that is of a recurring nature and does not result in the creation of an asset that is of benefit to the organisation beyond the end of the current accounting period.
Scheme Liabilities	The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.
Settlement	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. i) a lump sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
Total Cost	The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.
Ultra Vires	An action that is outside the powers allowed to the body that wants to execute the action.
Useful Life	The period over which the Local Authority will derive benefits from the use of an asset.
Vested rights	In relation to a defined benefits pension scheme, these

	are:- i) For active members, benefits to which they would be unconditionally entitled to on leaving the scheme; ii) For deferred pensioners, their preserved benefits; iii) For pensioners, pension to which they are entitled. Vested rights include where appropriate, the related benefits for spouses or other dependants.

The Annual Governance Statement

INTRODUCTION TO THE ANNUAL GOVERNANCE STATEMENT

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

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

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

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

OVERALL SUMMARY

This is a positive Statement for the financial year 2016/2017, with no significant control weaknesses identified. The Council continues to operate a robust governance framework that is designed in a way to address risk and operates effectively.

The governance framework outlined in this Statement has been in place at the Council for the year ended 31 March 2017.

SCOPE OF RESPONSIBILITY

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

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

review its governance arrangements as required". A full review of the Constitution took place in May 2016.

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

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

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

PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

- Control Environment
- Risk Assessment
- Control Activities

- Information and Communication
- Monitoring

The governance framework has been in place at Hinckley and Bosworth Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

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

There is a clear vision of the Council's purpose and target outcomes for local residents and service users, which is communicated via the Corporate Plan. During 2016/17 the Council agreed the new Corporate Plan (2017-2021) which replaces and follows on from the plan developed for the period 2013-2016. The new Corporate Plan, like its predecessor, sets out the long-term aims of the Council and drives the activities of the Council and Medium Term Financial Strategy.

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

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

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

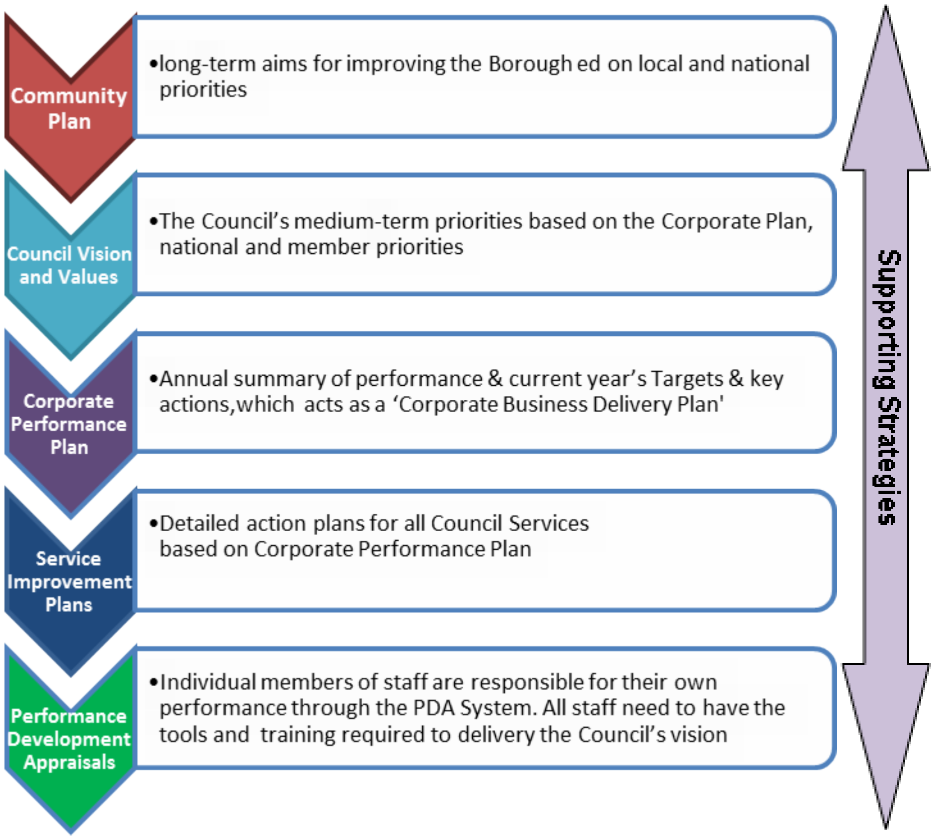
The plan does not include everything the council does, but it does set out our priorities, goals and ambitions for the next four years based on what our residents tell us are the most important matters to them. The council's Service Improvement Plans will be the mechanism that will deliver these ambitions.

We have brought those priorities together under three clear headings:

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

The Council uses plans and strategies at various levels to plan and monitor the achievement of its aims and objectives, which together forms the Corporate Planning Framework (See fig 1 below). The objectives set out within the Corporate Plan are used to set targets for each department in their Service Improvement Plans (SIPs). Plans are refreshed annually and progress against targets is managed through the TEN performance management system on a monthly basis. The Senior Leadership Team and the Finance and Performance Committee review performance reports at least quarterly. All officers are required to reflect their departmental SIPs in individual personal development plans and are assessed against these annually.

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



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

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

In addition, performance data is subject to

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

- Challenge through the target setting process; and
- Challenge through monthly monitoring of performance data.

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

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

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

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

The Council's financial and budgetary control system is reviewed each year by Internal Audit and in 2016/17 received a confirmation that there were no issues that needed to be reported in the Annual Governance Statement, with no high level risks reported. The areas reviewed that this judgement was based on included following:

- The Authority prepares a Medium Term Financial Strategy (MTFS) and approves a budget accordingly, which is based on a robust process and reasonable assumption based on the time drafted.
- No issues being found in relation to budgetary control.
- No high level risk issues being identified in relation to:
  - General ledger;
  - Income and debtors;
  - Expenditure and creditors;
  - Bank, cash and treasury management;
  - Fixed assets; and
  - Payroll.

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

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

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

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

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

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

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

As a key element of internal control, the Internal Audit function operates in accordance with the CIPFA *Code of Practice and Statement on the Role of the Head of Internal Audit.* Internal Audit reviews are performed as set out in the annual Audit Plan which reflects the Council's strategic risk register. Internal Audit review each scoped area against a set of system controls agreed with management at the start of the visit and within the overall framework of system control objectives. The findings of Internal Audit, and updates on recommendation implementation are reported to, and scrutinised by the Audit Committee (previously the Finance, Audit and Performance Committee. decommissioned 17/05/2016). This Committee undertakes the core functions of an Audit Committee as set out in CIPFA's *Audit Committees – Practical Guidance for Local Authorities and Police.*

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

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

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

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

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

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

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

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

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

The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two statutory officers (Section 151 Officer and the Monitoring Officer) and the Head of Paid Services have responsibility for ensuring that the Council does not act in an *ultra vires* manner. Management are supported by the internal audit service, which facilitates the management and mitigation of risk and provides assurance on matters of internal control. The Human Resources (HR) function provide a means of improving competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council. All officers are required to complete annual appraisals. The Council's financial management arrangements conform with the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010).*

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

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

Regular formal and informal engagement with particular designated groups such as the Parish Forum, Tenant Advisory Panel, Developer Forum, the Registered Social Landlord Forum and other representatives of hard to reach and minority groups also takes place as and when appropriate.
Examples of areas we have consulted on during the period are:

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

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

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

- Performance for current year

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

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

REVIEW OF EFFECTIVENESS 2016/2017

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

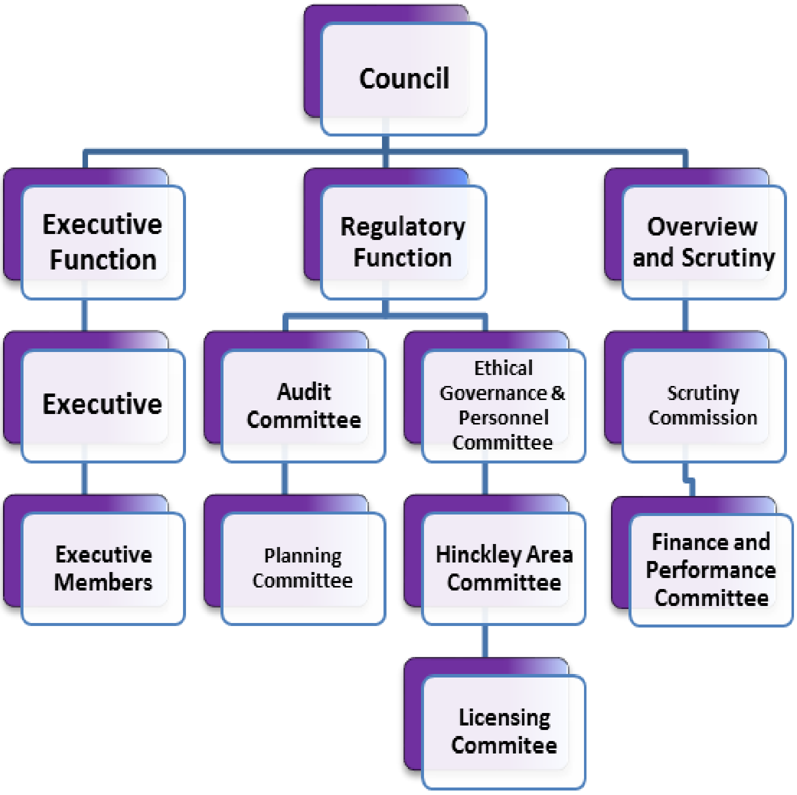
Each year all service areas are required to conduct a self-assessment of the adequacy of controls in place to manage principal business risks. This statement evaluates the effectiveness of procedures, systems and controls, highlights areas for improvement and actions intended to address these. Action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

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

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

Council Structure

The diagram below sets out the Council's democratic decision making arrangements as at 31 March 2017.



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

The Authority

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

The Executive

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

The Audit Committee

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

Ethical Governance & Personnel Committee

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

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

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

The Scrutiny Commission

The Scrutiny Commission is part of the Council's Overview & Scrutiny function. It discharges functions conferred by the Local Government Act 2000, with the aims of improving services to the public. The Scrutiny Commission has a role in policy development and review and scrutiny of Executive decisions, acting as a critical friend.
Finance & Performance Scrutiny
This has a similar role to the Scrutiny Commission, but with a an emphasis on governance issues in relation to finance and service performance of the authority, amongst other overview & scrutiny functions.

Statutory Officers

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

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

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

INTERNAL AUDIT

The Council's internal audit service has been outsourced to Price Waterhouse Coopers (PWC) for 2016/2017. Internal audit delivers its work in accordance with to the requirements of the Public Sector Internal Audit Standards (PSIAS).

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

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

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

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

Head of Internal Audit Statements and Opinion 2016/17 is detailed below:-

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

Opinion

Our opinion is as follows:

Satisfactory Generally	**satisfactory with some improvements required**	Major improvement required	Unsatisfactory Governance,

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

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

The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Annual Audit Letter will be considered formally by the Audit Committee (under the revised Committee structure for 2016 onwards).

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.

2016/2017 Significant Control Weaknesses

No significant control weaknesses have been identified for reporting in 2016/2017. This has been confirmed by the Council's Internal Auditors in their year end opinion.

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

……………………………….
Mike Hall Date …………..
Leader of the Council

ANNUAL GOVERNANCE STATEMENT- Overview of Governance Framework

Corporate Plan Objectives, Statutory Obligations, working in partnership, maintaining ethical values, developing members and officers, effective decision making, having a community focus.

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

INTERNAL CONTROL FRAMEWORK
- Constitution and Rules of Procedures (Contract Procedures and Financial Procedures)
- Local code of corporate governance
- Statutory Officers/Role of CFO
- MTFS/Budget Setting and Control Framework
- Business strategy and service planning framework.
- Performance Management.
- Project management system.
- Risk Management Policy and Framework.
- Anti Fraud and Corruption Policy and Framework.
- Codes of conduct (Members/Officers).
- Whistle blowing policy.

(Reviewed and Approved by Council)

Senior Leadership Team
Independent reviews by SLT, and the Audit Committee to examine draft AGS Based on understanding of procedures and controls in place.

The CFO and Monitoring officer review the controls in place based on IA, EA reports and internal risk assessment processes, and evaluating assurances and supporting evidence. Then draft the AGS based on this evidence.

Annual review of the effectiveness of the system of Internal Audit and External Audit (Audit Committee)

Annual Governance Statement
Recommended for approval by the Audit Committee to Full Council, signed by Leader and
Chief Executive (published with the statement of accounts).

SLT, Executive, and individual committees in place.
Formal record of debates and decisions taken.
This overall structure:
- Monitors risk and management
- Monitors risk profiles
- Considers risk relating to new projects and initiatives
- Receives risk monitoring. Reports

Service Improvement Plans (SIPs). Plans are refreshed annually and progress against targets is managed through the TEN performance management system on a monthly basis. SLT review SIPs and Performance

Risk Management
- Embedded in policies & planning
- Effectiveness evaluated
- Annual approval of risk management processes via Members
- Risks reviewed by SLT and IA
- Strategic Risk management in place.

Performance Mgt & Data Quality
- Embedded system throughout organisation.
- Internal & external reviews.
- Action orientated.
- Dashboard reporting to Senior officer and SLT
- Regular progress reports (SLT,
- committees, Executive.

Assurance Statements and reporting
- Ongoing assurance (SLT).
- Service Mgr Annual assurance statements
- Regular, scheduled governance reports to Audit and Scrutiny Committees

Internal Audit
- Strategic & annual plans (Audit Committee approved)
- In-year and annual reports to AC
- Chief Internal Auditor annual opinion
- Operates under terms of reference.
- Risk-based plan.
- Managed audit process

External Audit and Review
- Annual plan.
- Annual Audit letter.
- Audit opinion and VFM conclusion
- Review of AGS
- Departmental governance Inspectorate Reports
- Peer Review

Other sources of assurance
- Scrutiny & Standards Committees
- S.151 Officer
- Monitoring Officer
- Partnerships Governance
- NFI Fraud reviews and Fraud investigations.
- Project Mangt
- Ombudsman