



## **STATEMENT OF ACCOUNTS**

**2015/16**

# Statement of Accounts 2015/16

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## **Narrative Statement**

1. The Accounts for 2015/16, set out on pages 7 to 71, have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, the 'Code', based on International Financial Reporting Standards ('IFRS'). The purpose of the published statement of accounts is to give electors, local taxpayers, members of the Council and other interested parties clear information about the Council's finances. The statements should inform readers of:

- The cost of services provided by the Council in the year 2015/16.
- How services were paid for.
- The Council's assets and liabilities at the year-end.
- The financial performance of the authority and
- The economy, efficiency and effectiveness in the use of resources.

The following Core Financial statements are included: -

- Comprehensive Income and Expenditure Statement which shows income and expenditure of all main services.
- Balance Sheet - sets out the overall financial position of the Council at 31st March 2016 showing its assets, liabilities and reserves.
- 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 that can be applied to fund expenditure or reduce local taxation) and unusable reserves (i.e. those that cannot be used to fund expenditure).
- Cash Flow Statement summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties.
- Notes to the Core Financial Statements – explanation of key figures within the statements.

The following Supplementary Financial Statements and supporting notes are included:-

- Housing Revenue Account (HRA) - shows income and expenditure in respect of Council housing.
- Collection Fund Statement - shows the transactions in relation to the collection and distribution of Council Tax and National Non-domestic Rates ('NNDR').

## **2. Pension Fund Liability**

Charnwood Borough Council participates in the Local Government Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2016 and this amounted to a £55,374k deficit. This is a decrease of £19,841k on the position at 31st March 2015. Although this liability appears in the Council's balance sheet it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants in the current year. However, it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants, Council Tax and National Non-Domestic Rates (business rates).

## **3. Borrowing Facilities and Funding of Capital Expenditure**

The Council has sufficient resources, through both the use of reserves and revenue, to fund General Fund capital expenditure without needing to borrow. It is not expected that this position will change in the short term and if the Council were to borrow then it would be able to obtain funds from the Public Works Loans Board (PWLB), which is part of Central Government, at relatively low rates compared to commercial borrowing. There is one old outstanding General Fund loan of £2m which is not due for repayment until 2024.

The HRA has external loans of £79.19m which arose from the change in the Housing Subsidy system in 2012. These are all with the PWLB and are repayable from 2024 to 2062 with fixed annual interest rates. The annual interest is covered by the HRA's rental income. In addition, the HRA has two 'internal' loans from the General Fund and should it need to borrow for capital expenditure then it would seek further internal loans, using available monies within the General Fund, or borrow from the PWLB.

Both the General Fund and HRA work within treasury parameters agreed each year by Council and these currently allow a further £14.81m of external borrowing.

#### 4. General Fund Revenue Outturn Summary 2015/16

	<b>Outturn £000</b>	<b>Original Budget £000</b>	<b>Variance £000</b>
<b>Net Service Expenditure</b>	<b>16,837</b>	<b>16,835</b>	<b>(2)</b>
Revenue Contributions to Capital	99	155	56
Interest Paid	235	242	7
Council Tax Support Grant to Parishes	127	127	0
Less: Interest on Balances	(318)	(220)	98
<b>Total Borough Expenditure</b>	<b>16,980</b>	<b>17,139</b>	<b>159</b>
Contribution (from) Reinvestment Reserve	(4)	0	4
Contribution to/(from) Working Balance	1,594	38	(1,556)
Contribution (from)/to Growth Support Fund	(43)	150	193
Contribution to Other Revenue Reserves	38	0	(38)
Council Tax Freeze Grants	(64)	(71)	(7)
Contribution to Capital Plan Reserve	850	2,550	1,700
<b>Precept Requirement</b>	<b>19,351</b>	<b>19,806</b>	<b>455</b>
Revenue Support Grant	3,043	3,043	0
NNDR	4,091	4,091	0
Council Tax Receipts	5,366	5,366	0
Loughborough Special Levy	1,111	1,111	0
Collection Fund Surplus/(Deficit)	1,210	1,210	0
New Homes Bonus	3,775	3,775	0
General Government Grants/S31 compensation	755	1,210	(455)
<b>Precept Income</b>	<b>19,351</b>	<b>19,806</b>	<b>(455)</b>
<b><u>Working Revenue Balance at 1st April</u></b>	<b>5,064</b>	<b>4,291</b>	<b>773</b>
Transfer from General Fund	1,594	38	1,556
<b>Balance at 31 March</b>	<b>6,658</b>	<b>4,329</b>	<b>2,329</b>
<b><u>Reinvestment Reserve Balance at 1st April</u></b>	<b>959</b>	<b>777</b>	<b>182</b>
Transfers from/(to) General Fund	(4)	0	(4)
Transfers from/(to) Capital Plan Reserve	525	525	0
Funding of Capital Expenditure	(443)	(680)	237
<b>Balance at 31 March</b>	<b>1,037</b>	<b>622</b>	<b>415</b>
<b><u>Capital Plan Reserve Balance at 1st April</u></b>	<b>3,537</b>	<b>2,889</b>	<b>648</b>
Transferred from General Fund	850	2,550	(1,700)
Transfers from/(to) Reinvestment Reserve	(525)	(525)	0
Funding of Capital Expenditure	0	(1,115)	1,115
<b>Balance at 31 March</b>	<b>3,862</b>	<b>3,799</b>	<b>63</b>
<b><u>Growth Support Fund Balance at 1st April</u></b>	<b>234</b>	<b>171</b>	<b>63</b>
Transfer from General Fund	(43)	150	(193)
<b>Balance at 31 March</b>	<b>191</b>	<b>321</b>	<b>(130)</b>
<b><u>Other Revenue Reserves at 1<sup>st</sup> April</u></b>	<b>401</b>	<b>405</b>	<b>(4)</b>
Transferred from General Fund	38	38	0
<b>Balance at 31 March</b>	<b>439</b>	<b>443</b>	<b>(4)</b>
<b>TOTAL BALANCES</b>	<b>12,187</b>	<b>9,514</b>	<b>2,673</b>

The main purpose of the General Fund Revenue Outturn Summary is to compare the General Fund outturn figures to the budget set for 2015/16. This provides an easier indication as to how the Council spent its money during the year. Please note that the table is for information only and does not form part of the formal Statement of Accounts.

The Council's General Fund, Total Borough Expenditure which relates to all its activities except Housing Revenue Account, was £159K lower than the budget of £17,139k. This was primarily due:

- Revenue Contribution to Capital being £56k lower than the budget, this budget can be either used for capital or revenue for major repairs, £99K of the expenditure was capital.
- Interest on balances being £98k (45%) higher than budget, mainly due to larger amounts being available for investment than had been anticipated in the budget as a result of the surplus in 2014/15 and lower levels of capital expenditure.

## 5. Capital Expenditure

For the financial year 2015/16 the Council's capital spending, on an accruals basis, totalled £12,474k compared with a final Capital Plan budget of £14,104k. The net underspend of £1,630k represented 12% of the programme. Budgets on committed schemes worth £1,256k will be carried forward to 2016/17 in order to complete the schemes in that year.

<b>The 2015/16 Capital Expenditure was financed, on an accruals basis, as follows:</b>	<b>£'000</b>	<b>%</b>
<b>Capital Expenditure</b>	<b>12,474</b>	<b>100</b>
Financed by:		
Major Repairs Reserve	7,372	59
Revenue Contributions - General Fund	541	4
Revenue Contributions – HRA	2,441	20
Capital Receipts – General Fund	610	5
Capital Receipts – HRA	146	1
Capital Grants and Contributions	1,364	11
	<b>12,474</b>	<b>100</b>

## 6. Major Items in the 2015/16 Accounts

There are no major changes to the way the accounts have been compiled in 2015/16, but there are some major differences in the Comprehensive Income and Expenditure Statement between the figures for 2014/15 and 2015/16, these being:

- Cultural and Related Services shows net expenditure to be £2.7m lower than 2014/15 at £1.3m. This is largely due to a £2m upwards property revaluation which is reflected in 2014/15 accounts, following reinstatement of the Loughborough Leisure Centre.
- The expenditure of Housing Services (HRA) has increased by £9,618k. This is mainly due to a net revaluation increase of £4,127k being Council Properties and Garages which was £8,593k lower than in 2014/15.
- Corporate and Democratic Core shows net expenditure of £2m which is £600K lower than 2014/15 at £2.6m, This is due to changes in asset valuations for Miscellaneous Land and Property not charged direct to a service.
- Income from net National Non Domestic Rates (NNDR) reduced by £3.8m due to a significant increase in the provision for business rate appeals based upon up to date information that was not available at the time the budget was set and known changes in future reliefs awarded to academies and retail premises. These changes reflect the volatility of this income stream. The NNDR line represents the Council's share of income on an accruals basis therefore contains income that will be distributed in subsequent financial years.
- Collection Fund income increased by £2.3m in 2015/16. This relates to a surplus on Council Tax fund of £126K plus an increase in the NNDR fund which had an estimated deficit of £1.128m in

- 2014/15 and estimated surplus of £1.046m in 2015/16. This is due to lower in-year business rate reliefs and higher than anticipated income received due to changes in valuations. The Collection Fund line represents actual cashflow therefore only reflects the current financial year. This fund is explained in more detail on pages 65-70.
- The Surplus on revaluation of Non-Current Assets increased by £5.1m in 2015/16 mainly as a result of independent revaluations of land and buildings, including the Town Hall Theatre (£1.3m) and Soar Valley Leisure Centre (£1m), and investment properties including the former depot at Sileby (£0.7m).
  - Actuarial gains on pension assets and liabilities increased by £33m during 2015/16. This is due to a revaluation based upon changes in the financial assumptions around future salary increases and pension rates used by the actuary in their valuation.

## 7. Provisions

A provision for backdated appeals regarding NNDR has been increased by £3.66m to £4.25m following a recalculation in the light of new information from the relevant government agency, a large increase in the volume of appeals and the settlement of an outstanding court case in Sheffield relating to an appeal which is likely to affect other areas of England. The Council's share of this provision is £1.7m.

## 8. The Council's Finances

The Council has been able to set a balanced budget for 2015/16 and whilst the Medium Term Financial Strategy (MTFS) to the end of March 2019 anticipates deficits in the period from 2016/17 to 2018/19, these could easily be covered from the Council's reserves. At the time of writing the intentions of the new government regarding local authority funding are not clear, with significant items such as the future of the New Homes Bonus and the retention of business rates still under consideration. These will be taken into account, if known, when the next MTFS to 31<sup>st</sup> March 2020 is prepared in late 2016.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

## 9. Non-Financial Performance

The Council's objectives are set out in the Corporate Plan and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet, Scrutiny committees and officers. The Corporate Plan and associated quarterly performance monitors and annual performance report are available through the Council's website. The following link will take readers to the performance page on the Council's website.

[http://www.charnwood.gov.uk/pages/council\\_performance\\_indicators](http://www.charnwood.gov.uk/pages/council_performance_indicators)

A rigorous and robust annual service delivery and team planning process is in place that includes consultation with service users where appropriate, and which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.

## 10. Risk

A risk management framework has been established under which strategic risks which may cause the Council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing are identified on an annual basis, are approved as reasonable and complete by Cabinet, and are subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Lower level corporate and operational risks are identified by the annual service delivery planning process and are monitored on an

ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.

All Cabinet reports recommending decisions include details of any relevant financial and legal implications, and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.

#### 11. Statement of Authorisation

The Statement of Accounts were authorised for presentation on 13<sup>th</sup> September 2016 by Simon Jackson, Director of Corporate Services and S.151 Officer. All financial events up to and including 13<sup>th</sup> September 2016 have been considered in these accounts.

#### 12. Preparation of Accounts

I would like to thank all staff who have been involved in the preparation of these accounts.

#### 13. Further Information

Further information regarding the accounts may be obtained from:

The Head of Finance and Property Services,  
Charnwood Borough Council,  
Southfield Road,  
Loughborough,  
LE11 2TU.

14. Members of the public have a statutory right to inspect the accounts on deposit for audit purposes and the availability of the accounts for inspection is advertised on the Council's web site at [www.charnwood.gov.uk](http://www.charnwood.gov.uk) and on public notices displayed in the Council Offices.

Clare Hodgson  
Head of Finance and Property Services  
Charnwood Borough Council

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required to:

- 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 Director of Corporate Services and Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### Chief Financial Officer's Responsibilities

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

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local Council code.

The Chief Financial Officer has:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2016.

**Certified by the S151 Officer:**



**Simon Jackson**  
**Director of Corporate Services**

**13<sup>th</sup> September 2016**

In accordance with 8(3) of the Accounts and Audit Regulations 2011 No 817 the Statement of Accounts shall be signed and dated by the Chairman of the Audit Committee who presided at the meeting at which approval was given.



**Signed by the Chairman of the Audit Committee**

**13<sup>th</sup> September 2016**



## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure 2014/15 £'000	Gross Income 2014/15 £'000	Net Expenditure 2014/15 £'000		Gross Expenditure 2015/16 £'000	Gross Income 2015/16 £'000	Net Expenditure 2015/16 £'000
42	0	42	<b>Central Services to the Public</b>	44	0	44
383	(248)	135	Emergency Planning	231	(331)	(100)
1,212	(1,035)	177	Local Land Charges	1,481	(866)	615
450	(18)	432	Local Tax Collection	491	(20)	471
363	(197)	166	General Grants, Bequests and Donations	442	(163)	279
			Elections			
			<b>Cultural, Environmental, Regulatory and Planning Services</b>			
5,589	(1,495)	4,094	Cultural and Related Services	3,238	(1,928)	1,310
9,519	(2,910)	6,609	Environmental Services	9,684	(2,617)	7,067
4,317	(2,538)	1,779	Planning and Development Services	4,119	(1,860)	2,259
1,345	(885)	460	<b>Highways/Transportation</b>	685	(935)	(250)
3,401	(23,065)	(19,664)	<b>Housing Services – HRA</b>	13,019	(23,190)	(10,171)
35,233	(32,771)	2,462	<b>Housing Services - General Fund</b>	34,857	(32,062)	2,795
605	(440)	165	<b>Children's and Education Service</b>	159	(31)	128
2,708	(96)	2,612	<b>Corporate and Democratic Core</b>	2,086	(126)	1,960
(35)	0	(35)	<b>Non-Distributed Costs</b>	23	0	23
943	(927)	16	<b>Rechargeable Service Units (Note 7)</b>	1,109	(1,054)	55
<b>66,075</b>	<b>(66,625)</b>	<b>(550)</b>	<b>Cost of Service</b>	<b>71,667</b>	<b>(65,183)</b>	<b>6,484</b>
612	(451)	161	Trading Operations (Note 25)	401	(474)	(73)
2,701	0	2,701	Parish Precepts	2,791	0	2,791
580	0	580	Contribution to Housing Pooled Capital Receipts	687	0	687
244	0	244	(Gains)/Loss on Disposal Non-Current Assets	(484)	0	(484)
0	(194)	(194)	Capital Receipt not related to Asset Disposal	0	(33)	(33)
<b>4,137</b>	<b>(645)</b>	<b>3,492</b>	<b>Other Operating Expenditure</b>	<b>3,395</b>	<b>(507)</b>	<b>2,888</b>
3,021	0	3,021	Interest Payable and similar charges	3,017	0	3,017
2,671	0	2,671	Net Pensions Interest Costs and Expected Returns on Assets	2,412	0	2,412
0	(310)	(310)	Interest and Investment Income	0	(348)	(348)
640	0	640	Investment Properties Change in Fair Values (Note 9)	(1,647)	0	(1,647)
<b>6,332</b>	<b>(310)</b>	<b>6,022</b>	<b>Financing and Investment Income&amp; Expenditure</b>	<b>3,782</b>	<b>(348)</b>	<b>3,434</b>
0	(7,167)	(7,167)	General Government Grant (Note 28)	0	(6,940)	(6,940)
0	(4)	(4)	Capital Grants and Contributions (Note 28)	0	(391)	(391)
0	(6,029)	(6,029)	National Non Domestic Rates (Note 28)	0	(2,228)	(2,228)
0	(9,164)	(9,164)	Council Tax Income ( Note 28)	0	(9,208)	(9,208)
0	1,089	1,089	Collection Fund (Note 28)	0	(1,210)	(1,210)
<b>0</b>	<b>(21,275)</b>	<b>(21,275)</b>	<b>Taxation and non-specific Grant Income</b>	<b>0</b>	<b>(19,977)</b>	<b>(19,977)</b>
<b>76,544</b>	<b>(88,855)</b>	<b>(12,311)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>78,844</b>	<b>(86,015)</b>	<b>(7,171)</b>
1,824	0	1,824	(Surplus)/Deficit on revaluation of Non- Current Assets	(3,329)	0	(3,329)
10,481	0	10,481	Actuarial (gains)/losses on pension assets/liabilities	(22,563)	0	(22,563)
<b>12,305</b>	<b>0</b>	<b>12,305</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(25,892)</b>	<b>0</b>	<b>(25,892)</b>
<b>88,849</b>	<b>(88,855)</b>	<b>(6)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>52,952</b>	<b>(86,015)</b>	<b>(33,063)</b>

## Balance Sheet as at 31st March 2016

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2015 £'000		Note	31st March 2016 £'000	31st March 2016 £'000
191,491	Council Dwellings	8	197,457	
35,805	Other Land and Buildings	8	40,678	
1,035	Vehicles, Plant and Equipment	8	978	
58	Infrastructure Assets	8	51	
3,030	Community Assets	8	3,030	
847	Assets Under Construction	8	36	
96	Surplus Assets Not Held for Sale	8	868	
232,362	<b>Property, Plant and Equipment Total</b>			243,098
229	Heritage Assets	11		229
1,952	Investment Property	9		3,520
297	Intangible Assets	10		263
2	Long-Term Debtors	12		0
234,842	<b>Long-Term Assets (Sub-total)</b>			247,110
18,000	Short-Term Investments	12		18,959
53	Surplus Assets held for Sale	16		53
78	Inventories	13		99
7,726	Short-Term Debtors	14		8,448
(2,975)	Bad Debt Impairments	14		(3,228)
15,227	Cash and Cash Equivalents	15		13,214
38,109	<b>Current Assets (Sub-Total)</b>			37,545
(436)	Bank Overdraft	15		(438)
(240)	Provisions	18		(1,700)
(14,921)	Short-Term Creditors	17		(11,532)
(15,597)	<b>Current Liabilities (Sub-Total)</b>			(13,670)
(81,190)	Long-Term Borrowing, over 12 Months	12		(81,190)
(75,215)	Defined Benefit Pension Scheme Asset/(Liability)	33		(55,374)
(1,308)	Capital Grants Receipts in Advance	28		(1,717)
(157,713)	<b>Long-Term Liabilities Total</b>			(138,281)
<b>99,641</b>	<b>Net Assets Total</b>			<b>132,704</b>

## Balance Sheet as at 31st March 2016

31st March 2015 £'000		Note	31st March 2016 £'000	31st March 2016 £'000
(5,515)	Capital Receipts Reserve	19		(7,138)
(2,919)	Major Repairs Reserve	6		(2,053)
(4,172)	Revenue Reserves	6		(4,492)
(959)	Reinvestment Reserve	6		(1,037)
(371)	Capital Grants Unapplied	19		(298)
(5,064)	General Fund Balance			(6,658)
0	HRA Financing Fund	6		(750)
(1,003)	HRA Fund Balance			(1,158)
<b>(20,003)</b>	<b>Usable Reserves Total</b>			<b>(23,584)</b>
(1,425)	Collection Fund Adjustment Account	20		1,070
(1)	Deferred Credits (Deferred Capital Receipts)	20		0
(139,013)	Capital Adjustment Account	20		(148,053)
75,215	Pension Reserve Deficit	20		55,374
(14,707)	Revaluation Reserve	20		(17,773)
293	Accumulated Absences Account	20		262
<b>(79,638)</b>	<b>Unusable Reserves Total</b>			<b>(109,120)</b>
<b>(99,641)</b>	<b>Total Reserves</b>			<b>(132,704)</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that 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, more details of which are shown in the 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 setting and dwellings rent setting purposes. 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.

<b>Movement in Reserves Statement 2015-16</b>	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Balance at the beginning of the period</b>	<b>(5,064)</b>	<b>(5,131)</b>	<b>(1,003)</b>	<b>(2,919)</b>	<b>(5,515)</b>	<b>(371)</b>	<b>(20,003)</b>	<b>(79,638)</b>	<b>(99,641)</b>
(Surplus)/Deficit on provision of Services (accounting basis)	(400)	0	(6,771)	0	0	0	(7,171)	0	(7,171)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(25,892)	(25,892)
<b>Total Comprehensive Income and Expenditure</b>	<b>(400)</b>	<b>0</b>	<b>(6,771)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,171)</b>	<b>(25,892)</b>	<b>(33,063)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:</b>									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	756	0	756		
Cash Proceeds	0	0	0	0	(2,379)	0	(2,379)		
<b>Adjustments Primarily involving the Capital grants Unapplied Account:</b>									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	81	81		
Transfer to General Fund	0	0	0	0	0	0	0		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	(8)	(8)		
<b>Adjustments Primarily involving the Major Repairs Reserve:</b>									
Depreciation credited to MRA	0	0	0	(6,506)	0	0	(6,506)		
Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	7,372	0	0	7,372		
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>866</b>	<b>(1,623)</b>	<b>73</b>	<b>(684)</b>	<b>684</b>	<b>0</b>
<b>Adjustment between Accounting basis and Funding basis under Regulations:</b>									
Pension Fund Reserve	(2,566)	0	(156)	0	0	0	(2,722)		
Collection Fund Account	(60)	0	0	0	0	0	(60)		
Accumulated Absences Account	25	0	6	0	0	0	31		
NNDR and Renewable Energy	(2,434)	0	0	0	0	0	(2,434)		
HRA and GF for revaluations	(153)	0	153	0	0	0	0		
Capital Adjustment Account -Upward Revaluation	4,940	0	3,963	0	0	0	8,903		
- Downward Revaluation	(724)	0	0	0	0	0	(724)		
-Gain/(Loss) on Disposal of Non-Current Assets	1,057	0	(573)	0	0	0	484		
-Revenue Expenditure Funded from Capital	(1,321)	0	0	0	0	0	(1,321)		
- Depreciation	(1,499)	0	0	0	0	0	(1,499)		
Capital Expenditure charged against General Fund and HRA balances	541	0	2,441	0	0	0	2,982		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0		
Application of Grants to Capital Adjustment Account	1,258	0	32	0	0	0	1,290		
Capital Receipts Reserve	(656)	0	0	0	0	0	(656)		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(1,592)</b>	<b>0</b>	<b>5,866</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,274</b>	<b>(4,274)</b>	<b>0</b>
<b>Net (Increase)/Decrease before transfers to earmarked reserves</b>	<b>(1,992)</b>	<b>0</b>	<b>(905)</b>	<b>866</b>	<b>(1,623)</b>	<b>73</b>	<b>(3,581)</b>	<b>(29,482)</b>	<b>(33,063)</b>
Transfers to/(from) earmarked reserves	398	(398)	750	(750)	0	0	0	0	0
<b>Sub Total (increase)/decrease in the year</b>	<b>(1,594)</b>	<b>(398)</b>	<b>(155)</b>	<b>116</b>	<b>(1,623)</b>	<b>73</b>	<b>(3,581)</b>	<b>(29,482)</b>	<b>(33,063)</b>
<b>Balance at the end of the period</b>	<b>(6,658)</b>	<b>(5,529)</b>	<b>(1,158)</b>	<b>(2,803)</b>	<b>(7,138)</b>	<b>(298)</b>	<b>(23,584)</b>	<b>(109,120)</b>	<b>(132,704)</b>

<b>Movement in Reserves Statement 2014-15</b>	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Balance at the beginning of the period</b>	<b>(4,970)</b>	<b>(5,723)</b>	<b>(1,344)</b>	<b>(1)</b>	<b>(4,294)</b>	<b>(570)</b>	<b>(16,902)</b>	<b>(82,733)</b>	<b>(99,635)</b>
(Surplus)/Deficit on provision of Services (accounting basis)	4,049	0	(16,360)	0	0	0	(12,311)	0	(12,311)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	12,305	12,305
<b>Total Comprehensive Income and Expenditure</b>	<b>4,049</b>	<b>0</b>	<b>(16,360)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,311)</b>	<b>12,305</b>	<b>(6)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:</b>									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	127	0	127		
Cash Proceeds	0	0	0	0	(1,348)	0	(1,348)		
<b>Adjustments Primarily involving the Capital grants Unapplied Account:</b>									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	204	204		
Transfer to General Fund	(13)	0	0	0	0	13	0		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	(18)	(18)		
<b>Adjustments Primarily involving the Major Repairs Reserve:</b>									
Depreciation credited to MRA	0	0	0	(6,145)	0	0	(6,145)		
Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	3,227	0	0	3,227		
<b>Subtotal</b>	<b>(13)</b>	<b>0</b>	<b>0</b>	<b>(2,918)</b>	<b>(1,221)</b>	<b>199</b>	<b>(3,953)</b>	<b>3,953</b>	<b>0</b>
<b>Adjustment between Accounting basis and Funding basis under Regulations:</b>									
Pension Fund Reserve	(2,500)	0	3	0	0	0	(2,497)		
Collection Fund Account	122	0	0	0	0	0	122		
Accumulated Absences Account	13	0	3	0	0	0	16		
NNDR and Renewable Energy	2,397	0	0	0	0	0	2,397		
HRA and GF for revaluations	151	0	(151)	0	0	0	0		
Capital Adjustment Account -Upward Revaluation	2,172	0	15,688	0	0	0	17,860		
- Downward Revaluation	(5,137)	0	(2,302)	0	0	0	(7,439)		
-Gain/(Loss) on Disposal of Non-Current Assets	218	0	(461)	0	0	0	(243)		
-Revenue Expenditure Funded from Capital	(1,168)	0	0	0	0	0	(1,168)		
- Depreciation	(1,179)	0	0	0	0	0	(1,179)		
Capital Expenditure charged against General Fund and HRA balances	1,300	0	3,907	0	0	0	5,207		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	18	0	0	0	0	0	18		
Application of Grants to Capital Adjustment Account	443	0	14	0	0	0	457		
Capital Receipts Reserve	(388)	0	0	0	0	0	(388)		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(3,538)</b>	<b>0</b>	<b>16,701</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,163</b>	<b>(13,163)</b>	<b>0</b>
<b>Net (Increase)/Decrease before transfers to earmarked reserves</b>	<b>498</b>	<b>0</b>	<b>341</b>	<b>(2,918)</b>	<b>(1,221)</b>	<b>199</b>	<b>(3,101)</b>	<b>3,095</b>	<b>(6)</b>
<b>Transfers to/(from) earmarked reserves</b>	<b>(592)</b>	<b>592</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Sub Total (increase)/decrease in the year</b>	<b>(94)</b>	<b>592</b>	<b>341</b>	<b>(2,918)</b>	<b>(1,221)</b>	<b>199</b>	<b>(3,101)</b>	<b>3,095</b>	<b>(6)</b>
<b>Balance at the end of the period</b>	<b>(5,064)</b>	<b>(5,131)</b>	<b>(1,003)</b>	<b>(2,919)</b>	<b>(5,515)</b>	<b>(371)</b>	<b>(20,003)</b>	<b>(79,638)</b>	<b>(99,641)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

<b>Restated 2014/15 £'000</b>		<b>2015/16 £'000</b>
<b>(12,311)</b>	<b>Net (Surplus)/Deficit on the provision of services</b>	<b>(7,171)</b>
	<b>Adjustments for non-cash movements</b>	
3,072	Depreciation, Impairment Amortisation of Non-current Assets	(1,310)
(2,495)	Net Charges made for Retirement Benefit	(2,722)
(3)	Increase/(Decrease) in Inventories	21
417	Increase/(Decrease) in Debtors	(305)
(985)	(Increase)/Decrease in Creditors	(369)
(1,978)	Carrying Amount of non-current Assets and non-current Assets held for sale	(2,550)
(271)	Other non-cash items charged to the net Surplus or Deficit on Provision of Services	(66)
<b>(2,243)</b>	<b>Adjustments to net Surplus/Deficit for non-cash movements</b>	<b>(7,301)</b>
	<b>Adjustments for items that are Investing or Financing Activities</b>	
2,399	Other Capital Receipts and (Gains)/Loss on Sale non-current Assets	4,223
<b>(12,155)</b>	<b>Net Cash outflows/(inflows) from Operating Activities</b>	<b>(10,249)</b>
3,699	Net Capital Activities	8,331
4,000	Net Change in Investments	959
<b>7,699</b>	<b>Net Cash outflows/(inflows) from Investing Activities (Note 22)</b>	<b>9,290</b>
<b>(4,448)</b>	<b>Net Cash outflows/(inflows) from Financing Activities (Note 23)</b>	<b>2,974</b>
<b>(8,904)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>2,015</b>
5,887	Cash and Cash Equivalents at the beginning of the period	14,791
14,791	<b>Cash and Cash Equivalents at the end of the period (Note 15)</b>	12,776
<b>(8,904)</b>	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>	<b>2,015</b>

The 2014-15 Cash flow analysis has been restated using the CIPFA Cash flow Toolkit methodology in line with 2015-16. The total Cash Flow movement in 2014-15 has not changed.

## **Accounting Policies**

### **1. General Principles**

This Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31st March 2016 year end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audits Regulations 2011. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **2. 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:

- 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.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

#### Debtors and Creditors

The Council's revenue accounts are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to repayments of NNDR which are made on a cash basis in the year that the Council is notified of the necessity to refund and, although the amount is outside of the Council's control, a provision has been established to cover the Council's share of such possible refunds.

#### Interest on balances

General Fund interest for the year is accrued and accounted for in the accounts in the relevant period to which it relates. Interest is credited to the Housing Revenue Account based on an average rate of interest earned on the Council's investments during the year.

### **3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are investments that mature in no more than 3 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow, cash and cash equivalents are shown net of debit amounts with banks that are repayable on demand and form an integral part of the Council's cash management.

### **4. Provisions and Contingent Liabilities**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits and where a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account 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. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of

economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **5. Employee Benefits**

**Benefits Payable During Employment** - Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, and any bonuses for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## **6. Retirement Benefits**

Most employees of the Council are members of the Local Government Pensions Scheme (the 'Scheme'), administered by Leicestershire County Council, which provides defined benefits to members, earned as employees work for the Council.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, staff turnover etc. and projections of projected earnings for current staff. Liabilities are discounted to their value at current prices, using a discount rate of 3.2% based on the indicative rate of return on high quality corporate bonds as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years, at the IAS 19 valuation date. (The corresponding figure for 2013/14 was 4.3 %).

The change in the net pension liability is analysed into seven components:

- Current service cost, which is the increase in liabilities as a result of years of service earned this year and is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for the relevant employees.
- Past service cost, which is the increase in liabilities arising from decisions in 2014/15 which affect years of service earned in earlier years and this is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost, which is the expected increase in the present value of liabilities during the year and is debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Expected return on assets is the annual investment return on the Scheme's fund based on the average of the expected long-term return and is credited to the Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments which result from actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited, as appropriate, to the Net Cost of Services as part of Non Distributed Costs.
- Actuarial gains and losses change the net pension liability and arise because events have not coincided with assumptions made at the last actuarial valuation, or because those assumptions have been updated, and these are debited to the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Scheme as the employer's contributions.

Statutory provisions limit the Council to raising council tax to cover the amounts payable to the Scheme in the year. This results in appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits and replace them with debits for cash paid and payable to the Scheme in the year.



## **7. 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, ie 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 effects of transactions, other events and conditions on the Council'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 has always been applied. Should any material errors be discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **8. Financial Instruments**

### Financial Liabilities

Financial Liabilities are initially measured at fair value and are carried in the Balance Sheet at their amortised cost, which is based upon the nature of the liability concerned. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the loan in the agreement. As 2016 is a leap year the additional day has been reflected in the accrued interest calculations for non-PWLB instruments.

Gains or losses arising on the repurchase or early settlement of borrowings are debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where, however, the repurchase of borrowing has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

### Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for Sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value, based upon prevailing benchmark market rates for new borrowing. They are subsequently measured and carried on the Balance Sheet at amortised cost. PWLB loan fair value estimates are based upon new borrowing discount rates. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the investment's original effective interest rate.

Any gains and losses on de-recognition of an asset are credited or debited directly to the Comprehensive Income and Expenditure Statement.

Available for sale assets are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value in the Balance Sheet. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the surplus or deficit on Revaluation of Available for Sale Financial Assets. Any gains/losses on de-recognition are taken directly to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available For Sale Reserve.

The Council also holds a very small amount of Government stock. This is treated as an Available for Sale asset under the Code. However, these are held at cost in the Balance Sheet as the difference between this and their market value is immaterial to the Council as a whole.

The notes to the financial statements, on pages 20 to 57 show this information, where relevant, relating to the appropriate class of assets and liabilities.

## **9. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions 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 acquired using 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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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 Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **10. Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## **11. Heritage Assets**

The authority owns heritage assets such as civic regalia, statues, paintings and sculptures. Those valued at £10k or more are included on the Balance Sheet as Heritage Assets. The actual assets are situated in Council premises, parks and squares in Loughborough. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets in that heritage items are reported in the Balance Sheet at insurance valuation.

## **12. Inventories and Long-Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Any Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **13. Investment Property**

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Statement. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **14. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. No finance leases have been identified and currently all the Council's leases are classified as operating leases.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment.

## **15. Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses, if relevant, on non current assets used by the service, if there are no accumulated gains in the Revaluation Reserve against which they can be written off,
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment or amortisation and therefore these are reversed in the Movement in Reserves Statement on the General Fund Balance.

## **16. Overheads**

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 CIPFA Service Reporting Code of Practice 2015/16. 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 Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

## **17. Property, Plant and Equipment**

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure on routine repairs and maintenance of non-current assets that does not enhance the asset or extend its useful economic life is charged directly to service revenue accounts. The de-minimis level for accounting for property, plant and equipment is £10,000.

### Measurement

Assets are initially measured at cost, comprising of the purchase price and 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.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets, community assets and assets under construction are included in the balance sheet at depreciated historical cost.
- Council dwellings have been valued using the 'Beacon valuation' method, whereby a sample of each category of dwelling is valued and then these valuations are applied to all similar dwellings to arrive at a gross valuation. They are valued at fair value, determined using the basis of existing use value for social housing (EUV-SH).
- Land, operational properties and other operational assets are included in the balance sheet at existing use value, market value or depreciated replacement cost.

Non-specialised operational properties are valued at either existing use or market value. Depreciated replacement cost is used for specialised operational properties and market value for investment properties and surplus assets.

Revaluations of non-current assets take place at five yearly intervals, also annual desktop valuations are carried out with any changes to valuations of plus or minus £10k will continue to be adjusted for in the interim period, as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

Where decreases in value are identified, 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 is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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.

### Impairment

Non-Current Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets under construction.

Depreciation is provided using the straight-line method over either the remaining life of the asset or the following periods:

Buildings (where appropriate)	15 - 57	years
Infrastructure	20	years
Plant, vehicles and equipment (excluding computers)	7	years
Computers and software licences	5	years

The Housing Revenue Account is charged with the depreciation of its assets. Dwellings are depreciated over 60 years. The depreciation is calculated based on the Existing Use Value. Garages are depreciated over 49 years and shops are depreciated over 50 years using the straight-line method.

No item of Property, Plant and Equipment has been identified as having major components whose cost is significant in relation to the total cost of the item; therefore no separate depreciation calculations are required.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged to assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is devalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged to Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Receipts from disposals are part of the gain or loss on disposal line in the Comprehensive Income and Expenditure Statement (i.e. netted off against the carrying value of the assets at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as a capital receipt. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

### **18. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. Expenditure to be funded from a reserve is charged to the appropriate service revenue account and reflected in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The relevant amount is then transferred back into the General Fund Balance so that there is no net charge to council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained elsewhere in these Accounting Policies.

### **19. Revenue Expenditure Funded from Capital under Statute**

This is expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset for the Council. This is charged as expenditure to the relevant service revenue account in the year. The cost of this expenditure is met from existing capital resources and a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

### **21. Value Added Tax**

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

## **Notes to the Financial Statements**

### **Note 1 Accounting Standards Issued, Not Adopted**

There have been no substantial changes to the Council's accounting policies in 2015/16 and, whilst there have been some changes to International Financial Reporting Standards (IFRS), these have either been incorporated in the Financial Statements or they do not apply to the Council.

### **Note 2 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in pages 14 to 20 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 the high degree of uncertainty about future levels of funding for local government and changes to New Homes Bonus payments and National Non-Domestic Rates processes, reliefs and rules. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be materially impaired as a result of a need to close facilities and/or reduce levels of service provision.

### **Note 3 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, we do not consider that the actual results will be materially different from the assumptions and estimates. Major estimates are pensions, depreciation and provisions in respect of NNDR which are identified in notes 4, 6 and 17 to the Accounting Policies.

### **Note 4 Exceptional Items of Income and Expenditure**

There are no Exceptional Items for 2015/16.

### **Note 5 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for presentation by the S151 Officer on 7<sup>th</sup> June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

## Note 6 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 2015/16.

	Balance at 31st March 2015 £'000	Transfers Out £'000	Transfers in £'000	Balance at 31st March 2016 £'000
<b>Revenue Reserves</b>				
Reinvestment Reserve	(959)	611	(689)	(1,037)
Growth Support Fund	(234)	43	0	(191)
Capital Plan Reserve	(3,537)	525	(850)	(3,862)
Other	(401)	0	(38)	(439)
<b>Total General Fund</b>	<b>(5,131)</b>	<b>1,179</b>	<b>(1,577)</b>	<b>(5,529)</b>
<b>HRA Financing Fund</b>	<b>0</b>	<b>0</b>	<b>(750)</b>	<b>(750)</b>
<b>HRA Major Repairs Reserve</b>	<b>(2,919)</b>	<b>7,372</b>	<b>(6,506)</b>	<b>(2,053)</b>

### Reinvestment Reserve

The purpose of this reserve is to fund items that produce a payback to the Council, to fund costs that lead to appreciable service improvements and to fund one off costs. Transfers to/from the reinvestment reserve are detailed below:

2014/15 £'000    £'000			2015/16 £'000    £'000	
	(1,058)	<b>Balance at 1st April</b>		(959)
1		Redundancy/Compensation Payments	7	
20		Customer Services Strategy Programme	0	
		Outsourcing Green Spaces and Engineering		
3		Procurement and Legal Advice	0	
33		Multi-Agency Co-Location Programme	67	
0		Our Space Programme	16	
0		Environmental Services Contract – Procurement Costs	6	
0		Tree Maintenance Priority Works	50	
0		BID Ballot and Consultation Process	13	
0		Town Hall Restructure – Salary Protection Costs	9	
32		Capital Allocation – DWP Co-Location	305	
10		Capital Allocation – Midland Trent Payroll System Upgrade	0	
0		Capital Allocation – Fit Out Costs Meadow Lane Industrial Site	17	
0		Capital Allocation – Relocation Limehurst Depot Staff	19	
0		Capital Allocation – Lagan Upgrade	102	
	<b>99</b>	<b>Total Expenditure in the Year</b>		<b>611</b>
	0	Transfer from the Capital Plan Reserve		(525)
	0	Transfer from the General Fund		(164)
	<b>(959)</b>	<b>Balance at 31st March</b>		<b>(1,037)</b>

## Note 7 Other Income and Expenditure

Other income and expenditure included within the Comprehensive Income and Expenditure Cost of Service are Loughborough Special Expenditure, Building Control Account and Rechargeable Service Units, and details are as follows:-

### Loughborough Special Expenses

Loughborough Special Expenses is the town precept comparable to parish precepts. These costs are included within specific service lines in the Comprehensive Income and Expenditure Statement.

There was a credit balance of £192k in 2014/15. However, a debit of £86k was adjusted in the setting of the special expenses levy for 2016/17, leaving a credit balance of £278k to be adjusted for in future years. The 2015/16 debit balance of £30k will be adjusted in the setting of the special expenses levy for 2017/18.

Loughborough Special Expenses 2014/15 Budget £'000	Loughborough Special Expenses 2014/15 Actuals £'000	Credit Balance £'000		Loughborough Special Expenses 2015/16 Budget £'000	Loughborough Special Expenses 2015/16 Actuals £'000	Debit Balance £'000
1,221	1,029	192	Total Levy	1,136	1,166	30
63	63	0	Adjustments from Year 2012/13	0	0	0
0	0	0	Adjustments from Year 2013/14	151	151	0
(43)	(43)	0	Council Tax Freeze Grant	(68)	(68)	0
(150)	(150)	0	Council Tax Support Grant	(108)	(108)	0
<b>1,091</b>	<b>899</b>	<b>192</b>	<b>Amended Total Levy</b>	<b>1,111</b>	<b>1,141</b>	<b>30</b>

### Building Control Account

The Building (Local Council Charges) Regulations 2010 (SI 2010/404) requires the disclosure of information regarding the setting of charges for the administration of the building control function. However the Building Control Unit cannot charge for building work solely required for disabled persons. The overriding objective is to ensure the chargeable account recovers costs for chargeable functions. A restructure has taken place in Building Control to reduce costs, also a review of the fees charged to achieve a breakeven position in 2016/17.

2014/15 £'000		2015/16 £'000
	<b>Chargeable Work</b>	
276	Expenditure	237
(305)	Income	(201)
<b>(29)</b>	<b>(Surplus)/Deficit</b>	<b>36</b>
	<b>Non-Chargeable Work</b>	
223	Expenditure	192
(22)	Income	(14)
<b>201</b>	<b>(Surplus)/Deficit</b>	<b>178</b>



## Rechargeable Service Units

This Service heading includes £1,054k (2014/15 £927k) of external income generated in Rechargeable Service Units. The balance of £55k relates to the balance of support services costs on the Harborough District Council Contact Centre contract.

## Note 8 Property, Plant and Equipment

<b>Movements in 2015/16</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Plant, Property and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1st April 2015	191,519	35,883	6,658	1,461	3,031	98	847	239,497
Additions	9,954	822	279	0	0	0	36	11,091
Revaluation increases/(decreases) recognised in the Revaluation Reserve	72	3,137	0	0	0	(293)	0	2,916
Revaluation increases/(decreases) recognised in the Provision of Services	221	1,425	0	0	0	436	0	2,082
Derecognition – disposals	(3,123)	0	(92)	0	0	0	0	(3,215)
Asset Reclassification	815	(516)	0	0	0	627	(847)	79
<b>At 31st March 2016</b>	<b>199,458</b>	<b>40,751</b>	<b>6,845</b>	<b>1,461</b>	<b>3,031</b>	<b>868</b>	<b>36</b>	<b>252,450</b>
<b>Accumulated Depreciation and impairment</b>								
At 1st April 2015	(28)	(78)	(5,623)	(1,403)	(1)	(2)	0	(7,135)
Depreciation charge	(6,494)	(1,066)	(335)	(7)	0	(5)	0	(7,907)
Depreciation written out to the Revaluation Reserve	43	353	0	0	0	16	0	412
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,905	709	0	0	0	0	0	4,614
Derecognition – other	573	9	91	0	0	(9)	0	664
<b>At 31st March 2016</b>	<b>(2,001)</b>	<b>(73)</b>	<b>(5,867)</b>	<b>(1,410)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>(9,352)</b>
<b>Net Book Value at 31st March 2016</b>	<b>197,457</b>	<b>40,678</b>	<b>978</b>	<b>51</b>	<b>3,030</b>	<b>868</b>	<b>36</b>	<b>243,098</b>
<b>Net Book Value at 31st March 2015</b>	<b>191,491</b>	<b>35,805</b>	<b>1,035</b>	<b>58</b>	<b>3,030</b>	<b>96</b>	<b>847</b>	<b>232,362</b>

<b>Movements in 2014/15</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Plant, Property and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1st April 2014	180,994	39,978	6,279	1,461	3,543	68	54	232,377
Additions	6,495	235	393	0	0	0	847	7,970
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(154)	(2,173)	0	0	(88)	30	0	(2,385)
Revaluation increases/(decreases) recognised in the Provision of Services	6,098	(2,548)	0	0	(49)	(1)	0	3,500
Derecognition – disposals	(1,861)	0	(14)	0	0	0	0	(1,875)
Asset Reclassification	(53)	391	0	0	(375)	1	(54)	(90)
<b>At 31st March 2015</b>	<b>191,519</b>	<b>35,883</b>	<b>6,658</b>	<b>1,461</b>	<b>3,031</b>	<b>98</b>	<b>847</b>	<b>239,497</b>
<b>Accumulated Depreciation and impairment</b>								
At 1st April 2014	(513)	(279)	(5,232)	(1,357)	0	0	0	(7,381)
Depreciation charge	(6,137)	(638)	(405)	(46)	(1)	(2)	0	(7,229)
Depreciation written out to the Revaluation Reserve	0	562	0	0	0	0	0	562
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,622	277	0	0	0	0	0	6,899
Derecognition – other	0	0	14	0	0	0	0	14
<b>At 31st March 2015</b>	<b>(28)</b>	<b>(78)</b>	<b>(5,623)</b>	<b>(1,403)</b>	<b>(1)</b>	<b>(2)</b>	<b>0</b>	<b>(7,135)</b>
<b>Net Book Value at 31st March 2015</b>	<b>191,491</b>	<b>35,805</b>	<b>1,035</b>	<b>58</b>	<b>3,030</b>	<b>96</b>	<b>847</b>	<b>232,362</b>
<b>Net Book Value at 31st March 2014</b>	<b>180,481</b>	<b>39,699</b>	<b>1,047</b>	<b>104</b>	<b>3,543</b>	<b>68</b>	<b>54</b>	<b>224,996</b>

### Impairment Losses

The code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other Comprehensive Income and Expenditure Statement.

These disclosures are consolidated in notes 8 and 10 reconciling movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

### Capital Commitments

At 31st March 2016, the Council had entered into a number of contracts and capital commitments for the construction or enhancement of Property, Plant and Equipment, as well as certain capital grants and contributions in 2016/17. Similar commitments at 31st March 2015 were £14,102k with future years budgets being £10,325k. The current major commitments are:

	<b>31st March 2016 £'000</b>
Extra Care Housing Development - Contribution	150
Car Parks – Repairs and Replacements	150
Community Facilities Grants	239
Green Spaces Programme	164
Hallam Fields Community Hall	350
Loughborough University Science and Enterprise Park	425
Community Shop	120
Carbon Management Projects	132
Private Sector Housing and Disabled Facilities Grants	400
HRA Decent Homes and Neighbourhoods	7,341
	<b>9,471</b>

### Revaluations

There was a full revaluation of the Council's Operational and Non-Operational non housing stock (Land and Property), on 1st April 2014. The valuation report was prepared by G S C Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head and Eve LLP, Fairgate House, 78 New Oxford Street, London (the "Valuer"). The valuations were made in accordance with RICS Valuation Standards the Red Book UK Appendix 5 – Valuation of Local Authority Assets. Each land parcel and property has been assessed for the most appropriate method of valuation. The valuation categories used are – open market value, existing use value and depreciated replacement cost. Where the parcel includes a property this has been valued separately. The value of the site is the sum of the land value and the value of the property. Life expired buildings or infrastructure are given a notional value of one pound. The valuation included an inspection of all assets

The operational Housing Revenue stock comprising dwellings, shops, garages and a store were valued as at 1st April 2014. The valuations were made by the Valuer in accordance with RICS Valuation Standards the Red Book UK Appendix 5 – Valuation of Local Authority Assets. The dwellings were valued using the beacon approach. This valuation included:

- an inspection of each beacon property for each archetype group
- research on sales of directly comparable property which took place during the financial year.
- information at local level showing house price movements
- regional and national Indices
- a review of the existing asset groups and archetypes

The dwellings, store, shops and garages are valued on an existing use value.

Council HRA dwellings, shops, garages and stores along with the Council's Operational and Non-Operational non-housing stock (land and property) were revalued at the end of March 2016 on a 'desk top' basis by the Valuer to reflect their fair value as at that time.

## Note 9 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
(80)	Rental Income from Investment Property	(60)
<b>(80)</b>	<b>Total</b>	<b>(60)</b>

The following table summarises the movement in the fair value of investment properties.

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
<b>2,708</b>	<b>Balance at the start of the year</b>	<b>1,952</b>
(640)	Change in Fair Values	1,647
0	Transfers to/from Property, Plant and Equipment	(79)
(116)	Other changes - Disposals	0
<b>1,952</b>	<b>Balance at the end of the year</b>	<b>3,520</b>

## Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31<sup>st</sup> March 2016 are as follows:

	<b>Quoted prices in active markets for identical assets (Level 1) £'000</b>	<b>Other significant observable inputs (Level 2) £'000</b>	<b>Significant unobservable inputs (Level 3) £'000</b>	<b>Fair value as at 31 March 2016 £'000</b>
Investment Land	0	2,860	315	3,175
Investment Properties	0	244	102	346
Surplus	0	868	0	868
<b>Total</b>	<b>0</b>	<b>3,972</b>	<b>417</b>	<b>4,389</b>

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

## **Significant Observable Inputs – Level 2**

Land, Office, Residential, Industrial and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

## **Significant Unobservable Inputs – Level 3**

Community Buildings, Sports Ground and Centres assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Typical valuation inputs which have been analysed in arriving at our Fair Valuations include:

Market Rental and Sale Values  
Yields  
Void and Letting Periods  
Size  
Configuration, proportions and layout,  
Location, visibility and access  
Condition  
Lease covenants  
Obsolescence

## **Highest and Best Use of Investment Properties**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

## **Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties.

## **Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3**

	<b>As at 31st March 2016</b>	<b>Valuation technique used to measure fair value</b>	<b>Unobservable inputs</b>	<b>Range</b>	<b>Sensitivity</b>
	<b>£'000</b>				
Community Centres	89	Comparative based on limited rental evidence	Rental Value  Yields	£10 - £40 psm  10% - 14%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
Sports Ground and Centres	328	Comparative based on limited rental evidence	Rental Value  Yields	£5,000 - £15,000/ha  8% - 12%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value

#### **Note 10 Intangible Assets**

The Council accounts for its software purchases as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. There is no internally generated software.

All software assets are given a finite useful life of 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £96k was charged to revenue in 2015/16 and is analysed in the following table:

<b>2014/15 £'000</b>	<b>Amortisation Charged to the Comprehensive Income and Expenditure Statement</b>	<b>2015/16 £'000</b>
4	Cultural and Related Services	3
6	Housing Services – HRA	8
85	Absorbed over Service Headings	85
<b>95</b>		<b>96</b>

**Movement on Intangible Asset balances during the year is as follows:**

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
	<b>Balance at start of year:</b>	
2,822	Gross carrying amounts	2,928
(2,551)	Accumulated Amortisation	(2,631)
271	<b>Net carrying amount at start of year</b>	297
83	Additions: Purchases	62
(95)	Amortisation for the period	(96)
38	Asset Reclassification	0
(15)	Derecognition – disposals	(7)
15	Derecognition – depreciation written out	7
<b>297</b>	<b>Net carrying amount at end of year</b>	<b>263</b>
	Comprising:	
2,928	Gross carrying amounts	2,983
(2,631)	Accumulated Amortisation	(2,720)
<b>297</b>		<b>263</b>

**Note 11 Heritage Assets**

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>229</b>	<b>Balance at the start of the year</b>	<b>229</b>
0	Assets reclassified from Community Assets	0
0	Revaluations	0
<b>229</b>	<b>Balance at the end of the year</b>	<b>229</b>

## Note 12 Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Short-Term	
	31st March 2015 £'000	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'000
<b>Investments</b>				
Loans and Receivables	0	0	18,000	18,959
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>18,000</b>	<b>18,959</b>
<b>Debtors</b>				
Loans and Receivables	2	0	2,662	2,718
<b>Total Debtors</b>	<b>2</b>	<b>0</b>	<b>2,662</b>	<b>2,718</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	81,190	81,190	0	0
<b>Total Borrowings</b>	<b>81,190</b>	<b>81,190</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial Liabilities	0	0	8,561	7,978
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>8,561</b>	<b>7,978</b>

Whilst no amount is shown above there is one long-term 'Loans and Receivables' being:

<b>Investment held on behalf of Newtown Linford Parish Council</b>	<b>Cost Price £</b>	<b>Nominal Value £</b>
Common Investment Fund - High Yield Units	152	180

Charnwood Borough Council holds an investment on Behalf of Newtown Linford Parish Council, There is no current market value for this investment, the last time it was sold in December 2008, its Value was £1,145. Interest on this investment is received and paid over to Newtown Linford Parish Council.

In addition to the above, the Council holds 10.2% of the Ordinary Shares of the Great Central Railway (1986) plc. These cost £261k and the shares are fully paid-up and there is no further liability to pay any more to the company. The company is operated to re-create the best years of steam locomotives and experience mainline railway operation. The company has a non-profit distribution status and its Memorandum and Articles of Association prohibits any distribution to shareholders. As such the shares have no current value and are shown at Nil as an Unquoted Equity Investment at amortised cost.

The Borrowing of £81.19m outstanding is classified as a 'Financial liability at amortised cost' under the Code and requires a fair value to be disclosed where this is different to the carrying amount stated in the Balance Sheet. £2m of these loans has been attributed a fair value of £3,492k at the date of the Balance Sheet. The reason for the value difference is that this loan is running at a high coupon, set at the original loan date in 1984, and although it carries a LOBO (Lender's Option, Borrower's Option) it is unlikely to be called in by the counterparty before the maturity date in 2024. This would only occur if the prevailing interest rate became consistently above 11.625%. Therefore the risk of replacement is slight. In this event the Council has access to the Public Works Loan Board funds, or could disinvest surplus cash.

The fair value of the remaining £79.19m is £85.3m and these loans were taken out to fund a repayment to the government in order to 'buy out' the Council's participation in the old Housing Subsidy system. All the loans are at fixed rates of interest maturing between 8 and 45 years' time and the loan interest will be serviced from housing rental income. The Council does not currently intend to pay off any of these loans early and they are therefore held at their face value, which is the same basis as in previous years when the fair value was less than the book value.



The fair value of all the loans is determined by calculating the Net Present Value (NPV) of future cash flows which provides an estimate of the value of payments in the future. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender or the new loan rate in respect of the £79.19m of PWLB loans. The discount/new loan rates were evaluated at between 2.03% and 3.12% by Capita Asset Services Ltd, the Council's treasury adviser.

These will be the rates applicable in the market on the date of valuation for an instrument of the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same. Total Interest of £2,929k a year is payable in two instalments on the loans each year and is charged directly to the Comprehensive Income and Expenditure Statement.

Financial Liabilities in Creditors are in respect of various trade creditors and accruals which are classified as financial instruments and are shown at cost.

### **Heritable Bank investment**

With the exception of the Council's investment with Heritable Bank Plc ('Heritable'), at the Balance Sheet date it is not considered that any of the above assets are impaired in any way and there has been no history of failure to repay on the due dates by any counterparty with whom the Council has transacted business.

In October 2008, the Icelandic bank Landsbanki ceased trading and its UK subsidiary, Heritable, went into administration. The Council had deposited £1m with Heritable on 30th January 2008, with a maturity date of 28th January 2009 and interest rate of 5.52%. Up to 31<sup>st</sup> March 2016 £1,017k has been received from the administrator and the remaining amount had been written off.

### **Other Short-Term Investments**

Short-term lending is carried in the Balance Sheet at amortised cost at the Balance Sheet date. Therefore the material accrued interest at 31st March 2016 is included in the above value for Balance Sheet purposes. Interest received during the year is credited to the Comprehensive Income and Expenditure Statement. There are no costs associated with these transactions.

# Income, Expense, Gains and Losses on Financial Instruments

	2014/15				2015/16		
	Financial Assets: Loans and Receivables £'000	Financial Liabilities at Amortised Costs £'000	Total £'000		Financial Assets: Loans and Receivables £'000	Financial Liabilities at Amortised Costs £'000	Total £'000
Interest Expense	0	2,929	2,929		0	2,929	2,929
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>2,929</b>	<b>2,929</b>		<b>0</b>	<b>2,929</b>	<b>2,929</b>
Interest Income	(222)	0	(222)		(264)	0	(264)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>(222)</b>	<b>0</b>	<b>(222)</b>		<b>(264)</b>	<b>0</b>	<b>(264)</b>
Gain on Revaluation	0	0	0		0	0	0
<b>Surplus/deficit arising on revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Gain)/Loss for the Year</b>	<b>(222)</b>	<b>2,929</b>	<b>2,707</b>		<b>(264)</b>	<b>2,929</b>	<b>2,665</b>

## Note 13 Inventories

31st March 2015 £'000		31st March 2016 £'000
55	Housing Van Stock	77
11	Franking Machines	11
12	Other	11
<b>78</b>		<b>99</b>

## Note 14 Short-Term Debtors

31st March 2015 £'000		31st March 2016 £'000
	<u>Amounts falling due in one year:</u>	
1,148	HM Revenue and Customs	661
893	Housing Rents	931
1,236	Reserved Debtors	1,201
3,508	Sundry Debtors	3,814
332	CBC Net Share of Council Tax Debtors	329
0	Council Tax Preceptors Cash Paid in Advance	354
0	NNDR Leicestershire Pool	678
487	CBC Share of NNDR Arrears	389
122	Other	91
<b>7,226</b>		<b>8,448</b>

Most Debtors are considered to be Financial Instruments and are classified as Loans and Receivables. Statutory debts such as Council Tax and National Non-Domestic Rates are not Financial Instruments. Those that are Financial Instruments are measured at amortised cost at Balance Sheet date. In effect that is the initial amount less any repayments or accrued interest. The Council does not routinely charge interest on the debtor accounts and impairment is dealt with as set out below. The impairment of these assets is considered in depth when calculating the provision for doubtful debts and appropriate provision is made which is charged to the Comprehensive Income and Expenditure Statement. There is a general provision for doubtful debts of £3,228k (2014/15 £2,975k).

### Bad Debts Impairments

The Provision for Bad Debt Impairments are analysed as follows:-

2014/15 £'000		2015/16 £'000
(38)	Bed and Breakfast	(32)
(1,906)	Housing Benefits	(2,089)
(107)	General Fund Other	(136)
(760)	HRA Rents	(820)
(164)	CBC Share of NNDR Bad/Doubtful Debt	(139)
0	General Fund Rent	(12)
<b>(2,975)</b>		<b>(3,228)</b>

## Note 15 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31st March 2015</b>		<b>31st March 2016</b>
<b>£'000</b>		<b>£'000</b>
137	Cash held by the Council Short-term deposits with approved institutions	254
15,090		12,960
<b>15,227</b>		<b>13,214</b>
(436)	Bank Overdraft	(438)
<b>(436)</b>		<b>(438)</b>
<b>14,791</b>	<b>Total Cash and Cash Equivalents</b>	<b>12,776</b>

## Note 16 Surplus Assets Held for Sale

<b>2014/15 Current Assets £'000</b>		<b>2015/16 Current Assets £'000</b>
<b>6</b>	<b>Balance outstanding at start of year</b>	<b>53</b>
(5)	Revaluation Losses	0
52	Asset Reclassification	0
<b>53</b>	<b>Balance outstanding at year end</b>	<b>53</b>

## Note 17 Short-Term Creditors

31st March 2015		31st March 2016
£'000		£'000
487	HM Revenue and Customs	493
814	Government Departments	311
169	Leicestershire County Council	143
356	Housing Rents	390
2,339	Other Sundry Creditors	3,416
5,866	Reserved Creditors	4,172
1,657	Section 106 Developers' Contributions	1,505
159	CBC Share of Overpaid Council Tax	154
293	Provision for Accumulated Absences	262
98	Council Tax Cash Due To Preceptors	0
275	NNDR - CBC Share Overpayments	122
319	NNDR – Leicestershire County Council	470
2,054	NNDR - Central Government	85
35	NNDR - Combined Fire Authority	9
<b>14,921</b>		<b>11,532</b>

Creditors are regarded as financial instruments for accounting purposes except those in respect of items such as NNDR and payments due to certain government departments. All such items regarded as financial instruments are valued at fair value as at 31st March 2016.

## Note 18 Provisions

The Code requires that the accounts clearly differentiate the provisions from the reserves of the Council. Provisions are required for any liabilities of uncertain timing or amounts that have been incurred.

	£'000	£'000
<b>Provision at 1<sup>st</sup> April 2015</b>		
NNDR Backdated Appeals	(240)	
		(240)
<b>Changes to Provision:</b>		
Increase in Provision NNDR Backdated Appeals	(1,460)	
		(1,460)
<b>Balance at 31st March 2016</b>		<b>(1,700)</b>

## Note 19 Usable Reserves

### General Fund Balance

Purpose of Reserve: Resources available to meet future running costs for non-housing services. The guideline used by the Council requires a balance to be maintained of at least £2m.

### Housing Revenue Account

Purpose of Reserve: Resources available to meet future running costs for council houses

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement on page 10, being:- General Fund Balance, General Fund Earmarked Reserves, HRA Balance, HRA Earmarked Reserves in addition to those Usable Reserves below:-

### Usable Capital Receipts Reserve

Purpose of Reserve: proceeds of non current asset sales available to meet future capital investment.

<b>Restated 2014/15 £'000</b>		<b>2015/16 £'000</b>
<b>(4,294)</b>	<b>Balance at 1st April</b>	<b>(5,515)</b>
(1,019)	General Fund amounts receivable	(1,760)
(295)	HRA amounts receivable – 1-4-1 receipts	(568)
(34)	HRA amounts receivable – other	(51)
127	Amounts applied to finance new capital investments	756
<b>(5,515)</b>	<b>Balance at 31st March</b>	<b>(7,138)</b>

### Usable Capital Grants and Contributions Reserve

Purpose of Reserve: proceeds of grants and contributions to meet future capital investment and specific revenue expenditure.

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
<b>(570)</b>	<b>Balance at 1st April</b>	<b>(371)</b>
204	Amounts applied to finance new capital investments	81
(5)	Amounts transferred to/(from) revenue	(8)
<b>(371)</b>	<b>Balance at 31st March</b>	<b>(298)</b>

## Note 20 Unusable Reserves

31st March 2015 £'000		31st March 2015 £'000
(1,425)	Collection Fund Adjustment Account	1,070
(1)	Deferred Credits (Deferred Capital Receipts)	0
(139,013)	Capital Adjustment Account	(148,053)
75,215	Pension Reserve Deficit	55,374
(14,707)	Revaluation Reserve	(17,773)
293	Accumulated Absences Account	262
<b>(79,638)</b>		<b>(109,120)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. The balance is reduced when assets 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 that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2014/15 £'000		2015/16 £'000	2015/16 £'000
<b>(16,714)</b>	<b>Balance at 1st April</b>		<b>(14,707)</b>
(6,800)	Upward Revaluation of Assets	(3,705)	
8,624	Downward Revaluation of Assets and Impairment	376	
<b>1,824</b>	<b>Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(3,329)</b>
0	Adjusting amounts written to the Capital Adjustment Account	20	
183	Difference between Fair Value Depreciation and Historical Cost Depreciation	243	
<b>183</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>263</b>
<b>(14,707)</b>	<b>Balance at 31st March</b>		<b>(17,773)</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

31st March 2015 £'000		31st March 2016	
		£'000	£'000
(129,656)	<b>Balance at 1st April</b>		<b>(139,013)</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(9,660)	Charges for Depreciation and Impairment on Non-current Assets	653	
5,827	Revaluation losses on Property, Plant and Equipment	724	
95	Amortisation of Intangible assets	96	
1,168	Revenue Expenditure Funded from Capital under Statute	1,321	
1,978	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	2,550	5,344
(592)			
(183)	Adjusting amounts written out of the Revaluation Reserve		(263)
(130,431)	Net written out amount of the cost of Non-current Assets consumed in the year		<b>(133,932)</b>
	<b>Capital financing applied in the year:</b>		
(127)	Use of Capital Receipts to finance new capital expenditure	(756)	
(3,227)	Use of Major Repairs Reserve to finance new capital expenditure	(7,372)	
(457)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,282)	
(204)	Application of grants to capital financing from the Capital Grants Unapplied Account	(82)	
(5,207)	Capital expenditure charged against the General Fund and HRA balances	(2,982)	
(9,222)			<b>(12,474)</b>
640	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(1,647)
<b>(139,013)</b>	<b>Balance at 31st March</b>		<b>(148,053)</b>



### Pensions Reserve

The Pension Reserve absorbs the timing differences arising from the arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement 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. However statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
<b>62,239</b>	<b>Balance at 1st April</b>	<b>75,215</b>
10,481	Actuarial (gains) or losses on pension assets and liabilities	(22,563)
5,267	Reversal of items relating to retirement benefits to the Comprehensive Income and Expenditure Statement	5,717
(2,772)	Employers Pension Contributions in the year	(2,995)
<b>75,215</b>	<b>Balance at 31st March</b>	<b>55,374</b>

### Deferred Credits (Deferred Capital Receipts) Reserve

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

<b>31st March 2015 £'000</b>		<b>31st March 2016 £'000</b>
<b>(5)</b>	<b>Balance at 1st April</b>	<b>(1)</b>
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
4		1
<b>(1)</b>	<b>Balance at 31st March</b>	<b>0</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and proportionate shares of business rates in the Comprehensive Income and Expenditure Statement as it falls due, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Purpose of Reserve: A separate fund is maintained by billing authorities for the collection and distribution of amounts due in respect of Council Tax and NNDR of which, in-year surpluses and deficits are due to/from precepting authorities in future years. This shows the amount owed (to)/from the Council towards the current Collection Fund balance. See page 66 and Notes to the Collection Fund Statement.

31st March 2015 £'000		31st March 2016 £'000
1,094	<b>Balance at 1st April</b> Amounts which were credited to the Comprehensive Income and Expenditure Statement are different from council tax income calculated for the year in accordance with statutory requirements:	(1,425)
(122)	Council Tax	60
(2,397)	Business Rates	2,435
<b>(1,425)</b>	<b>Balance at 31st March</b>	<b>1,070</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and HRA from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund and HRA is neutralised by transfers to or from the Account.

31st March 2015 £'000		31st March 2016 £'000
309	<b>Balance at 1st April</b> Amounts accrued at the end of the current year	293
(16)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(31)
<b>293</b>	<b>Balance at 31st March</b>	<b>262</b>

**Note 21 Cash Flow Statement – Operating Activities** include the following within the Comprehensive Income and Expenditure Statement:-

<b>Restated 2014/15 £'000</b>		<b>2015/16 £'000</b>
(310)	Interest Received	(348)
3,021	Interest Paid	3,017
<b>2,711</b>	<b>Cash (Inflow)/Outflow</b>	<b>2,669</b>

**Note 22 Cash Flow Statement – Investing Activities**

<b>Restated 2014/15 £'000</b>		<b>2015/16 £'000</b>
6,186	Purchase of Property, Plant, Equipment, Investment Property and Intangible Assets	12,968
13	Other payments for investing activities	0
(1,943)	Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(3,071)
4,000	Purchase of Short-term and Long-term Investments	959
(557)	Other Receipts for Investing Activities	(1,566)
<b>7,699</b>	<b>Cash (Inflow)/Outflow</b>	<b>9,290</b>

**Note 23 Cash Flow Statement – Financing Activities**

<b>Restated 2014/15 £'000</b>		<b>2015/16 £'000</b>
(4,448)	Net Council Tax/NNDR Debtor and Creditors	2,974
<b>(4,448)</b>	<b>Cash (Inflow)/Outflow</b>	<b>2,974</b>

## Note 24 Amounts Reported for Resource Allocation Decisions

This reconciliation shows how the figures in the analysis of Directorates Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

### Directorate Analysis For the Year ended 31st March 2016

	General Fund Directorates			General Fund Total	Housing Revenue Account	Grand Total
	Housing, Planning, Regeneration and Regulatory	Neighbourhoods and Community Wellbeing	Corporate Services			
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Costs	4,089	2,961	5,537	12,587	3,673	16,260
All Other Controllable Costs	1,466	9,087	36,871	47,424	5,517	52,941
Controllable Income	(2,946)	(4,099)	(34,523)	(41,568)	(23,107)	(64,675)
<b>Total</b>	<b>2,609</b>	<b>7,949</b>	<b>7,885</b>	<b>18,443</b>	<b>(13,917)</b>	<b>4,526</b>

### Directorate Analysis For the Year ended 31st March 2015

	General Fund Directorates			General Fund Total	Housing Revenue Account	Grand Total
	Housing, Planning, Regeneration and Regulatory	Neighbourhoods and Community Wellbeing	Corporate Services			
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Costs	3,882	2,918	5,338	12,138	3,482	15,620
All Other Controllable Costs	1,700	9,224	37,440	48,364	4,792	53,156
Controllable Income	(3,640)	(4,778)	(35,124)	(43,542)	(22,991)	(66,533)
<b>Total</b>	<b>1,942</b>	<b>7,364</b>	<b>7,654</b>	<b>16,960</b>	<b>(14,717)</b>	<b>2,243</b>

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement		
	2014/15 £'000	2015/16 £'000
Net Expenditure within Directorate Analysis	2,243	4,526
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(2,632)	(1,409)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(161)	73
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(550)</b>	<b>3,190</b>

<b>Reconciliation to Subjective Analysis 2015/16</b>	<b>Service Analysis £'000</b>	<b>Not Reported to Management £'000</b>	<b>Not Included in I&amp;E £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
Fees, Charges and Other Service Income	(32,498)			(32,498)		(32,498)
Interest and Investment Income					(348)	(348)
Income from Council Tax					(10,418)	(10,418)
REFCUS		(898)		(898)		(898)
NNDR					(2,228)	(2,228)
Government Grants and Contributions	(31,704)	(83)		(31,787)	(7,331)	(39,118)
<b>Total Income</b>	<b>(64,202)</b>	<b>(981)</b>		<b>(65,183)</b>	<b>(20,325)</b>	<b>(85,508)</b>
Employee Expenses	16,261			16,261		16,261
Other Service Expenses	52,467	1,604		54,071		54,071
REFCUS		1,320		1,320		1,320
Accumulated Absences		(30)		(30)		(30)
Depreciation, Amortisation and Impairment		(338)		(338)		(338)
(Surplus)/Deficit on Trading Accounts			73	73	(73)	0
Interest Payments					3,017	3,017
Precepts and Levies					2,791	2,791
Payments to Housing Capital Receipts Pool					688	688
Net Pension Interest		310		310	2,412	2,722
Investment Properties					(1,647)	(1,647)
Change in Fair Value						
Other Income: Capital Receipts					(32)	(32)
Gain on Disposal of non-current Assets					(486)	(486)
<b>Total Operating Expenses</b>	<b>68,728</b>	<b>2,866</b>	<b>73</b>	<b>71,667</b>	<b>6,670</b>	<b>78,337</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>4,526</b>	<b>1,885</b>	<b>73</b>	<b>6,484</b>	<b>(13,655)</b>	<b>(7,171)</b>

<b>Reconciliation to Subjective Analysis 2014/15</b>	<b>Service Analysis £'000</b>	<b>Not Reported to Management £'000</b>	<b>Not Included in I&amp;E £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
Fees, Charges and Other Service Income	(33,586)			(33,586)		(33,586)
Interest and Investment Income					(310)	(310)
Income from Council Tax					(8,075)	(8,075)
REFCUS		(470)		(470)		(470)
NNDR					(6,029)	(6,029)
Government Grants and Contributions	(32,569)			(32,569)	(7,169)	(39,738)
<b>Total Income</b>	<b>(66,155)</b>	<b>(470)</b>	<b>0</b>	<b>(66,625)</b>	<b>(21,583)</b>	<b>(88,208)</b>
Employee Expenses	15,620			15,620		15,620
Other Service Expenses	52,778	(708)		52,070		52,070
REFCUS		1,168		1,168		1,168
Accumulated Absences		(16)		(16)		(16)
Depreciation, Amortisation and Impairment		(2,430)		(2,430)		(2,430)
(Surplus)/Deficit on Trading Accounts			(161)	(161)	161	0
Interest Payments					3,021	3,021
Precepts and Levies					2,701	2,701
Payments to Housing Capital Receipts Pool					580	580
Net Pension Interest		(176)		(176)	2,671	2,495
Investment Properties					640	640
Change in Fair Value						
Other Income: Capital Receipts					(195)	(195)
Loss on Disposal of non-current Assets					243	243
<b>Total Operating Expenses</b>	<b>68,398</b>	<b>(2,162)</b>	<b>(161)</b>	<b>66,075</b>	<b>9,822</b>	<b>75,897</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>2,243</b>	<b>(2,632)</b>	<b>(161)</b>	<b>(550)</b>	<b>(11,761)</b>	<b>(12,311)</b>

## Note 25 Trading Operations

The Council's trading operations include Loughborough Market, Shepshed Market and Woodgate Chambers. The 2015/16 expenditure figure includes Impairment of non-current assets of £10k (2014/15 £194k).

<b>Trading Operations 2014/15 £'000</b>		<b>Trading Operations 2015/16 £'000</b>
(451)	Income	(474)
612	Expenditure	401
<b>161</b>	<b>(Surplus)/Deficit</b>	<b>(73)</b>

## Note 26 Members Allowances

Charnwood Borough Council paid the following amounts to members of the Council during the year. Members Allowances exclude employer's National Insurance and include employer's superannuation, as this is an accrued benefit earned by the Member. Due to changes in legislation from May 2015, Members no longer form part of the Local Government pension scheme.

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
359	Salaries/Allowances	345
12	Expenses	8
<b>371</b>	<b>Total</b>	<b>353</b>

## Note 27 Officers' Remuneration

Details of the numbers of Council staff, whose remuneration is greater or equal to £50,000 per annum, grouped in rising bands of £5,000. Remuneration for these purposes includes all sums paid to or receivable by an employee, including expenses allowances, loss of office payments, compensation pay and the money value of any other benefits, but excluding employer's normal pension contributions and any special pension contributions payable due to loss of office.

There are no employees within this category who work part time but whose full time annualised salary is £50,000 or above. Only relevant remuneration bands are shown.

Total Number of Employees 2014/15	Remuneration Band	Total Number of Employees 2015/16
5	£50,000 - £54,999	5
4	£55,000 - £59,999	2
0	£60,000 - £64,999	1
3	£70,000 - £74,999	0
0	£75,000 - £79,999	3
1	£115,000 - £119,999	1

### Details of Remuneration

The Chief Executive and the Directors are shown below and their remuneration is also included in the previous table for completeness. There are no exit packages relating to senior officers in 2015/16.

Total Remuneration including Pension Contribution 2014/15 £	Post Holder Information (Post Title)	Salary, Fees and Allowances £	Expense Allowances £	Total Remuneration excluding Pension Contribution 2015/16 £	Employers Pension Contribution £	Total Remuneration including Pension Contribution 2015/16 £
145,240	Chief Executive	115,587	0	115,587	34,154	149,741
92,962	Director of Neighbourhoods and Community Wellbeing	75,936	0	75,936	19,491	95,427
92,870	Director of Housing, Planning and Regeneration and Regulatory Services	75,831	0	75,831	19,491	95,322
92,897	Director of Corporate Services	75,853	0	75,853	19,491	95,344
<b>423,969</b>	<b>Total</b>	<b>343,207</b>	<b>0</b>	<b>343,207</b>	<b>92,627</b>	<b>435,834</b>



## Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

<b>Restated 2014/15 £'000</b>	<b>Credited to Taxation and Non Specific Grant Income</b>	<b>2015/16 £'000</b>
(9,042)	Council Tax Income	(9,268)
(6,029)	National Non Domestic Rates (NNDR)	(2,228)
(4,281)	Revenue Support Grant	(3,043)
(4)	Capital Grants and Contributions	(391)
(70)	Council Tax Freeze Grant	(64)
(2,910)	New Homes Bonus	(3,788)
94	Other Government Grants	(45)
1,089	Collection Fund (Surplus)/Deficit	(1,210)
(122)	Council Tax Adjustment Account	60
<b>(21,275)</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>(19,977)</b>
	<b>Benefit Grants Credited to Services</b>	
(19,536)	Rent Allowance Subsidy	(19,150)
(12,008)	Rent Rebate Subsidy	(11,695)
(594)	Housing Benefit Administration Subsidy	(504)
	<b>Other Grants Credited to Services</b>	
0	DWP Universal Credit	(35)
(497)	Supporting People	(248)
(68)	Crime and Disorder Partnership	(63)
(405)	Local Partnership	(1)
(306)	Localisation of Council Tax	(258)
(146)	Leicestershire County Council Sports, Active and Young Persons	(144)
(18)	Staying Healthy Grant	(20)
(470)	Capital Grants and Contributions	(899)
(125)	Local Plans	0
(105)	Arts Policy - Ladybird	(12)
(115)	Other Government Grants	(190)
<b>(34,393)</b>	<b>Total Revenue Grants credited to Services</b>	<b>(33,219)</b>

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year end are as follows:

<b>31st March 2015 £'000</b>	<b>Capital Grants and Contributions Receipts in Advance</b>	<b>31st March 2016 £'000</b>
(1,277)	S106 Developers' Contributions	(1,679)
(31)	Other Capital Grants and Contributions	(38)
<b>(1,308)</b>	<b>Total</b>	<b>(1,717)</b>

The Council has a number of revenue grants and contributions that have not yet been recognised as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year end are as follows:

<b>31st March 2015 £'000</b>	<b>Revenue Grants and Contributions – Receipts in Advance</b>	<b>31st March 2016 £'000</b>
(193)	S106 Developers' Contributions	(219)
(294)	Other Revenue Grants and Contributions	(558)
<b>(487)</b>	<b>Total</b>	<b>(777)</b>

#### **Note 29 External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors. The Council's external auditors are KPMG.

<b>Restated 2014/15 £'000</b>		<b>2015/16 £'000</b>
73	Fees payable with regard to external audit services carried out by the appointed auditor	55
14	Fees payable for the certification of grant claims and returns for the year	12
2	Fees paid in respect of other services	3
<b>89</b>		<b>70</b>

### **Note 30 Related Parties**

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 operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government**

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments and other grants received in advance are set out in Note 28.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 26. No members of the council or senior officers undertook any material related party transactions requiring disclosure during 2015/16.

#### **Leicester and Leicestershire Business Rates Pool**

Under the Local Government Finance Act 2012 local authorities are able to retain a proportion of the business rates generated in their area and rather than paying certain amounts to central government, they can create a 'pool' locally.

The Council along with Leicester City Council, Leicestershire County Council, Leicestershire Combined Fire Authority and all other Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2013/14, the Leicester and Leicestershire Pool (LLP). The County Council was the lead authority for the LLP. The Pool was based on a "no better, no worse" position, with District Councils paying any levies into the Pool and any safety net payments being made from the Pool.

The LLP partners decided not to continue with the Pool in 2014/15 but it was started again for the 2015/16 financial year and has continued into 2016/17 financial year. An amount due from the NDR Leicestershire Pool of £678K has been credited to the Comprehensive Income and Expenditure Account for 2015/16 and included in Short-Term Debtors Note 14.

#### **Other Public Bodies**

Local Government Pension Schemes are set out in Note 33 (page 51).

Precepts collected on behalf of other local authorities and bodies are shown in the Collection Fund Statement (page 65).

### Note 31 Capital Expenditure and Capital Financing

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

2014/15 £'000		2015/16 £'000
81,839	<b>Opening Capital Financing Requirement</b>	81,173
(666)	Impairment charge for non-dwelling HRA assets chargeable to the Comprehensive Income and Expenditure Statement	163
	<b>Capital Investment</b>	
7,970	Property, Plant and Equipment	11,091
83	Intangible Assets	62
1,168	Revenue Expenditure Funded from Capital under Statute	1,321
	<b>Sources of Finance</b>	
(127)	Capital Receipts	(756)
(3,227)	Major Repairs Reserve	(7,372)
(661)	Government Grants and other Contributions	(1,364)
	<b>Sums set aside from revenue:</b>	
(5,206)	Direct Revenue Contributions	(2,982)
81,173	Closing Capital Financing Requirement	81,336
	<b>Explanation of movements in year</b>	
(666)	Impairment charge for non-dwelling HRA Assets chargeable to the Comprehensive Income and Expenditure Statement	163
(666)	<b>Increase/(Decrease) in Capital Financing Requirement</b>	163

### Note 32 Termination Benefits

The Council agreed to terminate the contracts of six employees in 2015/16, incurring liabilities totalling £33k, (two employees in 2014/15 £4k). None of these employees were Directors. Two officers were made redundant, one from the Housing Revenue Account (Business Support) and one from Local Plans. Four officers received compensation payments, one from each of the following services, Finance, Information and Communication Services, Contact Centre and HRA Business Support.

## Note 33 Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

Charnwood Borough Council participates in a defined benefit scheme administered by Leicestershire County Council in accordance with the Local Government Pension Scheme Regulations 1997, as amended. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is reported in the 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 post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

<b>Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme 2014/15 £'000</b>	<b>Local Government Pension Scheme 2015/16 £'000</b>
Current Service cost	2,596	3,305
<b>Financing and Investment Income and Expenditure</b>	2,671	2,412
Net Pensions Interest costs and Expected return on scheme assets		
Total Post Employment Benefit charge to the (Surplus)/ Deficit on the Provision of Services	5,267	5,717
<b>Movement in Reserve Statement</b>		
Reversal of net charges made to the (Surplus)/Deficit for the Provision of Services for post-employment benefits in accordance with the code	(2,495)	(2,722)
<b>Actual amount charged against the General fund balance for pension in the year</b>	<b>2,772</b>	<b>2,995</b>
<b>Actuarial Gains and (Losses) in the year</b>	<b>(10,485)</b>	<b>22,569</b>

The actuarial Gains/(Losses) identified above are directly from the Leicestershire County Council Pension Valuation Report. However, there is a £6K reconciling item in 2015/16, being Charnwood Borough Council's higher pension contributions in year compared to the Leicestershire County Council's Valuation Report.

**Pension Assets and Liabilities Recognised in the Balance Sheet.**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefits plan is as follows:

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Fair Value of Employer Assets	91,844	91,366
Present Value of Funded Liabilities	(165,493)	(145,412)
Net (Under)/Over funding in Funded Plans	(73,649)	(54,046)
Present Value of Unfunded Liabilities	(1,566)	(1,328)
Net Asset/(Liability) in Balance Sheet	<u>(75,215)</u>	<u>(55,374)</u>

**Basis for Estimating Assets and Liabilities**

The basis for estimating assets and liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Leicestershire County Council's Fund Liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

Charnwood Borough Council participates in the Local Government Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2016 and this amounted to £55,374k. This is a decrease of £19,841k on the position at 31st March 2015. Although this liability appears in the Council's Balance Sheet, it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants and Council Tax.

<b>31st March 2015</b>		<b>31st March 2016</b>
<b>% Per Annum</b>	<b>Financial Assumptions:</b>	<b>% Per Annum</b>
2.4%	Rate of Inflation/Pension Increase Rate	2.2%
4.3%	Salary Increase Rate	3.2%
3.2%	Discount Rate	3.5%

<b>Mortality Assumptions:</b>	<b>Males</b>	<b>Females</b>
<u>Longevity at 65 for pensioners</u>		
Current Pensioners	22.2 years	24.3 years
Future Pensioners	24.2 years	26.6 years

**Reconciliation of the Movements in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability**

<b>Assets 2014/15 £'000</b>	<b>Obligations 2014/15 £'000</b>	<b>Net(Liability) /Asset 2014/15 £'000</b>		<b>Assets 2015/16 £'000</b>	<b>Obligations 2015/16 £'000</b>	<b>Net(Liability) /Asset 2015/16 £'000</b>
80,713		80,713	Fair Value of employer assets	91,844		91,844
	(141,410)	(141,410)	Present value of funded liabilities		(165,493)	(165,493)
	(1,542)	(1,542)	Present value of unfunded liabilities		(1,566)	(1,566)
<b>80,713</b>	<b>(142,952)</b>	<b>(62,239)</b>	<b>Opening Position as at 31st March</b>	<b>91,844</b>	<b>(167,059)</b>	<b>(75,215)</b>
	(2,596)	(2,596)	Current Service Cost		(3,305)	(3,305)
<b>0</b>	<b>(2,596)</b>	<b>(2,596)</b>	<b>Total Service Cost</b>	<b>0</b>	<b>(3,305)</b>	<b>(3,305)</b>
3,434		3,434	Interest Income on plan assets	2,921		2,921
	(6,105)		Interest Cost on defined benefit obligation		(5,333)	(5,333)
<b>3,434</b>	<b>(6,105)</b>	<b>3,434</b>	<b>Total Net Interest</b>	<b>2,921</b>	<b>(5,333)</b>	<b>(2,412)</b>
<b>3,434</b>	<b>(8,701)</b>	<b>(5,267)</b>	<b>Total Defined Benefit Cost Recognised in Profit or (Loss)</b>	<b>2,921</b>	<b>(8,638)</b>	<b>(5,717)</b>
711	(711)	0	<u>Cashflows</u>			
2,663		2,663	Plan Participants Contributions	723	(723)	0
113		113	Employers Contributions	2,885		2,885
(4,972)	4,972	0	Contributions in respect of unfunded benefits	104		104
(113)	113	0	Benefits paid	(4,763)	4,763	0
		0	Unfunded Benefits Paid	(104)	104	0
<b>(1,598)</b>	<b>4374</b>	<b>2,776</b>	<b>Total Cashflows</b>	<b>(1,155)</b>	<b>4,144</b>	<b>2,989</b>
<b>82,549</b>	<b>(147,279)</b>	<b>(64,730)</b>	<b>Expected Closing Position</b>	<b>93,610</b>	<b>(171,553)</b>	<b>(77,943)</b>
	(21,146)	(21,146)	<u>Remeasurements</u>			
	1,366	1,366	Changes in financial assumptions		22,386	22,386
			Other experience		2,427	2,427
9,295			Return on assets excluding amounts included in net interest	(2,244)		(2,244)
<b>9,295</b>	<b>(19,780)</b>	<b>(10,485)</b>	<b>Total Measurements recognised in Other Comprehensive Income</b>	<b>(2,244)</b>	<b>24,813</b>	<b>22,569</b>
<b>91,844</b>	<b>(167,059)</b>	<b>(75,215)</b>	<b>Total Expected Closing Position</b>	<b>91,366</b>	<b>(146,740)</b>	<b>(55,374)</b>
91,844		91,844	Fair Value of employer assets	91,366		91,366
	(165,493)	(165,493)	Present value of funded liabilities		(145,412)	(145,412)
	(1,566)	(1,566)	Present value of unfunded liabilities		(1,328)	(1,328)
<b>91,844</b>	<b>(167,059)</b>	<b>(75,215)</b>	<b>Closing Position</b>	<b>91,366</b>	<b>(146,740)</b>	<b>(55,374)</b>

Value of Employers Assets	31st March 2015 £'000	% of Total Assets	31st March 2016 £'000	% of Total Assets
<b>Equity Securities:</b>				
Other	2,850	3%	2,497	3%
<b>Debt Securities:</b>				
UK Government	5,039	6%	4,824	5%
Other	3,777	4%	3,761	4%
<b>Private Equity</b>	3,485	4%	3,508	4%
<b>Real Estate – UK Property</b>	8,703	10%	9,305	10%
<b>Investment Funds and Unit Trusts:</b>				
Equities	46,308	50%	44,823	49%
Bonds	8,555	9%	9,833	11%
Hedge Funds	3,986	4%	4,146	5%
Commodities	3,858	4%	1,964	2%
Infrastructure	2,165	2%	2,386	3%
Other	513	1%	2,527	3%
<b>Derivatives – Foreign Exchange</b>	1,685	2%	(34)	0%
<b>Cash and Cash Equivalents</b>	920	1%	1,826	1%
<b>Closing Balance at 31st March</b>	<b>91,844</b>	<b>100%</b>	<b>91,366</b>	<b>100%</b>

Sensitivity Analysis	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
	10%	14,635
0.5% Decrease in Real Discount Rate		
1 Year Increase in Member Life expectancy	3%	4,402
0.5% Increase in the Salary Increase Rate	2%	3,624
	7%	10,872
0.5% Increase in the Pension Increase Rate		

The Sensitivity Analysis above has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

Scheme History	2015/16 £'000	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000
Fair Value of Employer Assets	91,366	91,844	80,713	72,586	58,296
Present Value of Defined Benefit Obligation	(146,740)	(167,059)	(142,952)	(120,336)	(98,132)
Surplus/(Deficit)	(55,374)	(75,215)	(62,239)	(47,750)	(39,836)



The liabilities show the underlying commitments that the Council has, in the long run, to pay retirement benefits. The total liability of £55,374k has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit of the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employers contributions expected for 2017 will be approximately £3,080k (2016/17 are approximately £2,854k).

#### **Note 34 Trust Funds**

The Council administers one trust fund which is excluded from Cash and Cash Equivalents in the Balance Sheet. This Trust Fund is used for the maintenance of the Carillon Tower flood lights and commemorative plaque which is situated in Queens Park, Loughborough.

<b>31st March 2015</b>		<b>31st March 2016</b>
<b>£'000</b>		<b>£'000</b>
(10)	Van Nievelt Legacy – for Carillon Tower	(9)
<b>(10)</b>		<b>(9)</b>

#### **Note 35 Contingent Liabilities and Contingent Assets**

As at 31st March 2016 the Council had no contingent assets or liabilities.

#### **Note 36 Nature and Extent of Risks Arising from Financial Instruments**

The Council's activities expose it to a number of risks the main ones being:

- Credit Risk – the possibility that other parties may fail to pay the amounts due
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central Finance team, under policies approved by the Council in the annual Treasury Management Strategy Statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as borrowing strategy, investment policy, creditworthiness policy and investment strategy.

## Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Council has a contract with Capita Asset Services Ltd ('CAS') who advise on investment policy and supply credit ratings for use on the day to day management of investments. These criteria are based on such factors as:

- Credit ratings of counter parties, plus
- Credit watches and credit outlooks from credit rating agencies, plus
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings, and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

These ratings will alter throughout the year and various limits are set on the type of investments which can be made. These are based on Specified and Non-Specified investments for local authorities and further inner limits are set and periodically reviewed as between investments of the same type, such as banks with a similar credit rating. Short term investments are typically rated F1 and amounts with each institution, or group, was limited to a maximum of £8m.

Appropriate checks are made on customers for goods and services based on the size and/or length of contract with them. The Council's maximum exposure in relation to its investments in banks and other financial institutions can rise to over £40m during the year and it cannot be assessed generally as the risk of any institution failing to make interest payments and repay the principal sum will be specific to each individual institution. There is always a potential risk of not recovering investments and this applies to all of the Council's deposits, but there was no evidence at 31st March 2016 that this was likely to crystallise.

The Council does allow credit for some types of service and amounts that are due, but not impaired, included as part of sundry debtors are as follows:

<b>31st March 2015</b>		<b>31st March 2016</b>
<b>£'000</b>		<b>£'000</b>
847	Less than three months	790
79	Three to six months	33
96	Six months to one year	7
38	More than one year	60
<b>1,060</b>		<b>890</b>

## Liquidity Risk

The Council needs to manage cash flow to have sufficient funds to pay debts when due. This it does by investing surplus cash when available and by arranging investments to cover the expected liability dates. The Council works to a balanced budget in accordance with legislation with a reserve of revenue balances to manage the cash flow. This is continually changing during the year as creditors and debtors accounts mature. The Council always has access to borrowing through the Public Works Loan Board. Council borrowing, if required, is secured on the revenues of the Council. The Council, through its counterparty policy, also seeks to ensure that each counter party is of sufficient size to be able to repay the amounts loaned on the due date.

All trade and other payables are due to be paid within less than one year.

## **Market Risk**

The Council is exposed to changes in the interest rate on one of its borrowings. This £2m borrowing is at a high interest rate and it is not anticipated that interest rates will reach this level in the short to medium term, so effectively rendering this rate as fixed. The remainder of the Council's borrowings are at fixed interest rates and do not contain a market risk.

In-house lending is mainly for cash flow purposes and is all for under a year and therefore prevents the strategic longer term lending which would help to mitigate the variations in interest rates. The interest rates move in cycles and the Council clearly receives lower interest receipts at the bottom of the cycle. This is managed by having a Treasury Strategy in place that forecasts the movements in rates and therefore allows the budget to be informed of the expected interest receipts so that spending plans are not based on unrealistic interest receipt assumptions. Based on the Short Term investments at Balance Sheet date of £19m, a 1% change in interest rate would equate to £190k higher or lower receipt to the Council in revenue.

The Council has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to losses arising from movements in exchange rates.

## **Note 37 Subsidiary Holdings**

The Council does not have any subsidiary holdings.

## Supplementary Statements and Notes

### HRA Income and Expenditure Statement

The Housing Revenue Account reflects a statutory obligation under legislation to account separately for local Council housing provision. The Account is “ring-fenced” and has to be self-financing. The costs of HRA activities, not met by subsidy or other income, are met by the rents payable and deficits on the HRA cannot be made good by the council taxpayer.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing 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 the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account.

2014/15 Restated £'000		Notes	2015/16 £'000
	<b>Expenditure</b>		
4,890	Supervision and Management		5,000
4,324	Repairs and Maintenance		4,841
488	Rents, Rates, Taxes and other charges		506
1	Rent Rebates	2	1
(6,574)	Depreciation/Revaluation increase/Impairment of non-current assets	3	2,379
14	Debt management costs		11
258	Movement in the allowance for bad debts (not specified by the Code)		281
3,401	Total Expenditure		13,019
	<b>Income</b>		
(21,430)	Dwellings	1	(21,777)
(344)	Non-dwelling rents		(356)
(1,021)	Charges for Services and Facilities		(813)
(162)	Contributions towards expenditure		(136)
(108)	Other Income		(108)
(23,065)	Total Income		(23,190)
(19,664)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(10,171)
101	HRA services' share of Corporate and Democratic Core		109
(19,563)	<b>Net Cost for HRA Services</b>		(10,062)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(14)	Capital grants and contributions receivable		(32)
461	Loss on disposal of HRA non-current assets		573
(24)	Interest and investment income		(30)
2,780	Interest Payable		2,780
<b>(16,360)</b>	<b>Net cost/(income) of HRA Services</b>		<b>(6,771)</b>

### Movement on the HRA Statement

2014/15 £'000		Notes	2015/16 £'000
(1,344)	<b>Balance on the HRA at the end of the previous year</b>		<b>(1,003)</b>
(16,360)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement		(6,771)
16,698	Adjustments between accounting basis and funding basis under statute		6,022
<b>338</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>		<b>(749)</b>
3	Transfers to/(from) reserves		594
<b>341</b>	<b>(Increase) or decrease in year on the HRA</b>		<b>(155)</b>
<b>(1,003)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(1,158)</b>

### Reconciling Items for the Statement of Movement on the HRA Balance

2014/15 £'000		Notes	2015/16 £'000
	<b>Adjustments between accounting basis and funding basis under statute</b>		
3,907	Capital expenditure funded by the HRA		2,441
(461)	Loss on sale of HRA non-current assets		(573)
3	Accumulated Absences Account		6
14	Reversal of Capital Grants and Contributions		32
13,386	Reversal of Gain/(Loss) on Revaluation		3,963
(151)	Adjustment to recharges based on impairment of General Fund Asset		153
<b>16,698</b>			<b>6,022</b>
	<b>Transfers (to) or from reserves</b>		
3	HRA share of contributions to/(from) the Pension Reserve	8	(156)
0	Transfer to/(from) the Housing Finance Fund	9	750
<b>3</b>			<b>594</b>

## Notes to the Housing Revenue Account

### Note 1 Gross Rents

Gross rent due in the year, after allowance is made for empty properties, was £21,777k. The rent loss caused by empty properties was 2.14% for 2015/16 compared with 1.97% in 2014/15. The average rent for 2015/16 on a 52 week basis was £75.20 (2014/15 £73.46).

#### Rent Arrears

2014/15 £'000		2015/16 £'000
428	Arrears at 31st March:	452
408	Current Tenants	413
1	Former Tenants	1
	Garages and Shops	
<b>837</b>		<b>866</b>
3.91%	Dwelling Arrears as % of gross debit	3.88%
39	Court Costs	52
140	Rent Write-off/irrecoverable	147
1	Rent Rebate Overpayment Write-off/irrecoverable	1
45	Rechargeable Repairs Write-off/irrecoverable	73

A Provision for Bad Debts has been made in the accounts in accordance with the requirements of the approved guidance. The provision includes an element in respect of rent rebate overpayments. Rent rebates were transferred to the General Fund on 1st April 2004. This provision relates to overpayments made prior to that date which were financed by the HRA. Landlord Services rechargeable repairs relates to a provision for bad debts where damage to HRA property has been recharged to its perpetrators.

#### Bad Debt Provision

31st March 2015 £'000		31st March 2016 £'000
641	Rent	698
70	Overpaid Rent Rebate	69
49	Landlord Services rechargeable repairs	53
<b>760</b>		<b>820</b>

### Note 2 Rent Rebates

As at 31 March 2016 the outstanding balance of overpayments was £69k compared with £70k at 31st March 2015. Recoveries from ongoing benefit relating to housing benefit overpayments prior to 1st April 2004 totalling £1k were debited back to the Housing Revenue Account in 2015/16 which was the same amount as in 2014/15.

### Note 3 Depreciation Charge and Capital Credit

Total Capital Financing Charges of £11k was debited to the HRA in 2015/16 in accordance with the Item 8 determinations for the year, compared with £14k in 2014/15. The Depreciation Charge is analysed below: -

2014/15 £'000		2015/16 £'000
6,106	Depreciation:	
31	Dwellings	6,464
2	Garages and Shops	30
6	Plant, Vehicles and Equipment	4
	Intangibles	8
<b>6,145</b>		<b>6,506</b>
(12,719)	Net Revaluation increase of non-current assets	(4,127)
<b>(6,574)</b>		<b>2,379</b>

There were capital grants and contributions receivable totalling £32k.

### Note 4 Housing Stock

The Council was responsible for managing 5,698 HRA dwellings as at 31st March 2016. This excludes one shared ownership dwelling, which is shared on a 50% equity basis. The stock was made up as follows: -

Number of Dwellings 31st March 2015		Number of Dwellings 31st March 2016
2,732	Flats/Maisonettes	2,727
3,014	Houses/Bungalows	2,971
<b>5,746</b>		<b>5,698</b>

The change in stock can be summarised as follows:-

Number of Dwellings 2014/15		Number of Dwellings 2015/16
<b>5,784</b>	<b>Stock at 1st April</b>	<b>5,746</b>
1	Add: New Properties, Acquisitions and Appropriations	4
(39)	Less: Property Sales	(52)
<b>5,746</b>	<b>Stock at 31st March</b>	<b>5,698</b>

On 31st March 2016 there were 14 void properties withheld from letting (15 at 31st March 2015). This is for a number of reasons including major refurbishment and redevelopment. Two HRA properties are being used as community centres on a temporary basis. The figure of 5,698 represents the actual HRA dwelling stock the Council owns.

The dwellings are classified as operational assets within the Housing Revenue Account. In addition there were 806 garages in 2015/16 (806 in 2014/15), 13 shops and 1 store in 2015/16 (14 shops and 1 store in 2014/15), that were non-dwelling assets.

## Note 5 Balance Sheet Value of Council's Housing Stock

31st March 2015 £'000		31st March 2016 £'000
186,993	Dwellings	191,898
0	Reclassification	814
	Other land and buildings	
3,145	Garages	3,371
1,353	Shops and Store	1,374
<b>191,491</b>	<b>Net carrying amount at the end of year</b>	<b>197,457</b>

Dwellings, Garages and Shops are all Operational Assets. There are no Non-Operational Assets.

### Vehicles Plant and Equipment

31st March 2015 £'000		31st March 2016 £'000
	<b>Balance at the start of the year</b>	
2	Net carrying amounts	0
0	Additions: Purchases	37
(2)	Amortisation	(4)
<b>0</b>	<b>Net carrying amount at the end of year</b>	<b>33</b>

### Intangibles

31st March 2015 £'000		31st March 2016 £'000
	<b>Balance at the start of the year</b>	
3	Net carrying amounts	35
38	Asset Reclassification	0
(6)	Amortisation	(8)
<b>35</b>	<b>Net carrying amount at the end of year</b>	<b>27</b>

### Assets under construction

31st March 2015 £'000		31st March 2016 £'000
<b>38</b>	<b>Balance at the start of the year</b>	<b>814</b>
814	Additions: Purchases	0
(38)	Asset Reclassification	(814)
<b>814</b>	<b>Net carrying amount at the end of year</b>	<b>0</b>



## Assets held for sale

31st March 2015 £'000		31st March 2016 £'000
0	<b>Balance at the start of the year</b>	53
53	Asset Reclassification	0
<b>53</b>	<b>Net carrying amount at the end of year</b>	<b>53</b>

The Existing Use Value – Social Housing on at 1st April 2015 was £185,201k. The vacant possession value of dwellings as at 1st April 2015 was £544,728k. The difference between the vacant possession value and Balance Sheet value of dwellings within the Housing Revenue Account shows the economic cost to government of providing council housing at less than open market rents.

## Note 6 Summary Total of Capital Expenditure and Receipts

Housing capital expenditure during the financial year was £9,991k.

Capital expenditure is shown as follows:-

2014/15 £'000		2015/16 £'000
<b>7,309</b>		<b>9,991</b>
	<b>Financed By:</b>	
3,227	Major Repairs Reserve	7,372
1	Other Capital Contributions	32
3,907	Revenue Contributions	2,441
12	Grants	0
35	Section 106 Developers' Contributions	0
127	HRA Miscellaneous Capital Receipts	146
<b>7,309</b>		<b>9,991</b>

Total capital receipts from the sale of HRA assets were £2,561k as follows:-

2014/15 £'000		2015/16 £'000
1,784	Council House Sales	2,575
(51)	Less: Administration costs	(66)
1,733	Net Council House Sales	2,509
34	Miscellaneous Capital Receipts	51
11	Reclaimable Discount from Council House Sales	0
4	Mortgage Receipts	1
<b>1,782</b>		<b>2,561</b>

**Note 7 Major Repairs Reserve**

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
<b>(1)</b>	<b>Balance at 1st April</b>	<b>(2,919)</b>
(6,145)	Transfer to Major Repairs Reserve	(6,506)
3,227	Capital Expenditure funded from Major Repairs Reserve	7,372
<b>(2,919)</b>	<b>Balance at 31st March</b>	<b>(2,053)</b>

**Note 8 Pension Fund**

In accordance with IAS19, Accounting for Retirement Benefits, accounting adjustments have been made in the Housing Revenue Account to report pension liabilities. In 2015/16 this represented a reduction of £156k to net cost of service compared to a reduction of £3k in 2014/15.

**Note 9 Housing Revenue Account Financing Fund**

A new reserve was set up in 2015/16 called the Housing Revenue Account Financing Fund with an initial contribution from balances of £750k. This fund will be called upon in the future to finance changes to funding and charges such as those set out in the summer 2015 Government Budget.

## Collection Fund Statement 2015/16

Business Rates 2014/15 £'000	Council Tax 2014/15 £'000	Total 2014/15 £'000		Note	Business Rates 2015/16 £'000	Council Tax 2015/16 £'000	Total 2015/16 £'000
0	(77,174)	(77,174)	<b>Income</b>	2	0	(79,815)	(79,815)
(42,948)	0	(42,948)	Council Tax Receivable	3	(44,067)	0	(44,067)
(42,948)	(77,174)	(120,122)	Business Rates Receivable		(44,067)	(79,815)	(123,882)
			<b>Expenditure</b>				
			<b>Apportionment of Previous Year Surplus/(Deficit)</b>				
(1,410)	0	(1,410)	Central Government		1,307	0	1,307
(1,128)	39	(1,089)	Charnwood Borough Council		1,046	165	1,211
(254)	235	(19)	Leicestershire County Council		235	991	1,226
0	38	38	Leicestershire Police and Crime Commissioner		0	165	165
(28)	13	(15)	Combined Fire Authority		26	55	81
(2,820)	325	(2,495)			2,614	1,376	3,990
			<b>Precept, Demands and Shares</b>				
19,872	0	19,872	Central Government	4	21,625	0	21,625
15,898	9,042	24,940	Charnwood Borough Council		17,301	9,268	26,569
3,577	54,373	57,950	Leicestershire County Council		3,893	56,692	60,585
0	9,027	9,027	Leicestershire Police and Crime Commissioner		0	9,412	9,412
397	3,031	3,428	Combined Fire Authority		433	3,160	3,593
39,744	75,473	115,217			43,252	78,532	121,784
			<b>Charges to the Collection Fund</b>				
262	276	538	Less Write Offs of Non-Collectable Amounts	7	303	398	701
218	82	300	Less Increase/(Decrease) In Bad Debt Provision	6	(61)	(2)	(63)
(1,047)	0	(1,047)	Less Increase/(Decrease) In Provision For Appeals		3,650	0	3,650
194	0	194	Less Cost of Collection		192	0	192
150	0	150	Less Disregarded Amounts		152	0	152
(223)	358	135			4,236	396	4,632
<b>(6,247)</b>	<b>(1,018)</b>	<b>(7,265)</b>	<b>(Surplus)/Deficit arising during the year</b>		<b>6,035</b>	<b>489</b>	<b>6,524</b>
3,207	(559)	2,648	(Surplus)/Deficit brought forward 1st April		(3,040)	(1,577)	(4,617)
<b>(3,040)</b>	<b>(1,577)</b>	<b>(4,617)</b>	<b>(Surplus)/Deficit carried forward 31st March</b>	8/9/11	<b>2,995</b>	<b>(1,088)</b>	<b>1,907</b>

## Notes to the Collection Fund Statement

### Note 1 General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Council in relation to non-domestic rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the billing Council. The transactions are prescribed by legislation and are prepared on an accruals basis.

The major items contained within the Fund are:

- Council Tax collected from Borough Residents
- Business Rates collected from businesses within the Borough
- Transitional Relief granted to Council Taxpayers
- Precepts, Demands and Shares on the collection fund paid out to:
  - Central Government
  - Charnwood Borough Council
  - Leicestershire County Council
  - Leicestershire Police and Crime Commissioner
  - Leicestershire Combined Fire Authority
- The cost of collection allowance for Business Rates retained by the Billing Authority
- Additional items, such as
  - Write offs of non-collectable amounts
  - Provision for possible bad and doubtful debts
  - Provision for appeals on NNDR bills
  - Other disregarded amounts
- The deficit or surplus relating to Council Tax. This is then distributed between billing authorities and precepting authorities on the basis of an estimate made on 15th of January in each year.
- The deficit or surplus relating to Business rates. This is distributed between billing authorities, precepting authorities and central government on the basis of an estimate made during January in each year.

### Note 2 Council Tax

The basis of Council Tax is a property valuation. Properties are valued at April 1991 prices and included within eight bands. The standard Council Tax is calculated at Band D and all bands are expressed as a Band D equivalent to ascertain a total tax base for the Council. The 2015/16 base is shown below. Note that there is now a reduced 'Band A' for properties in 'A' that are reduced for those with approved Disabled Adaptations.

Valuation Band	Range of Values	Relationship to Band D	Number of Properties	Band D Equivalent
X	Reductions on Band A	5/9	19.25	10.7
A	Up to and including £40,000	6/9	10,016.25	6,677.5
B	£40,001 - £52,000	7/9	17,709.25	13,773.9
C	£52,001 - £68,000	8/9	15,984.75	14,208.7
D	£68,001 - £88,000	1	9,069.50	9,069.5
E	£88,001 - £120,000	11/9	5,786.75	7,072.7
F	£120,001 - £160,000	13/9	2,790.50	4,030.7
G	£160,001 - £320,000	15/9	1,754.0	2,923.3
H	More than £320,000	18/9	170.25	340.5
	Contributions in lieu			24.7
	Estimated growth in Band D equivalents			438
	<b>Total (Tax Base)</b>			<b>58,571.5</b>

The gross tax base, 58,571.5 as per the council tax resolution is adjusted for the Band D equivalent of dwellings receiving Council Tax Support to give an adjusted tax base of 53,358.5. Finally an estimated collection rate of 98% for 2015/16, is then applied to the adjusted Band D figure producing a Council Tax Base of 52,291.3 which equates to £1,501.82 for a Band D property. This provides a total requirement of £78,532m.

The actual position is as follows:

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
87,941	Gross Council Tax due	90,846
(10,767)	Relief, Exemptions and Transitional Relief Granted	(11,031)
<b>77,174</b>	<b>Council Tax</b>	<b>79,815</b>

### **Note 3 National Non-Domestic Rates (NNDR)**

NNDR is organised on a local basis. The Council is responsible for collecting rates due from ratepayers within the Borough and the total amounts billed to business ratepayers are included within the Collection Fund, less the various relief and exemptions granted. This amount is paid, during the year, to the other precepting authorities and to central government based on their proportionate shares. The amounts paid over form part of the financing of the billing and precepting authorities General Fund.

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
52,223	Gross Non-Domestic Rates due	54,612
(9,377)	Reliefs and Exemptions	(10,446)
133	Central Government Deferral Scheme from 2012/13	0
(31)	Transitional Protection Payment due to/(from) the Council	(99)
<b>42,948</b>	<b>Net Business Rates Receivable</b>	<b>44,067</b>

The Government specifies an amount (49.3p in 2015/16 and 48.2p in 2014/15) and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Rateable Value for the Council's area at 31st March 2016 was £114.75m (31st March 2015 £113.75m)

**Note 4 Charnwood Borough Council Tax Precept**

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
15,922	Charnwood Precept	18,596
2,701	Parish Precepts	2,791
1,089	Collection Fund Deficit/(Surplus)	(1,210)
19,712		20,177
(10,670)	RSG and NNDR Redistributed Pool	(10,909)
<b>9,042</b>		<b>9,268</b>

**Note 5 Provision for Non-Payment****Council Tax**

There is a cumulative provision held as at 31st March 2016 amounting to £1,776k for doubtful debts, including costs. (31st March 2015 £1,827k)

**NNDR**

There is a cumulative provision held as at 31st March 2016 amounting to £348k for doubtful debts, including costs. (31st March 2015 £407k)

**Note 6 Contributions to Provision for Bad and Doubtful Debts**

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
82	Council Tax	(2)
218	NNDR	(61)
<b>300</b>		<b>(63)</b>

**Note 7 Write off of Bad Debts**

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
276	Council Tax	398
262	NNDR	303
<b>538</b>		<b>701</b>

**Note 8 Council Tax (Surplus)/Deficit on the Collection Fund**

There was a Surplus balance on the Collection Fund at 31st March 2016 of £1,088k (Surplus 31st March 2015 £1,577k). This will be carried forward to 2016/17 and taken into account in the future calculation of charges to be met by Council Taxpayers. Further analysis is provided in Note 10 below. The net contributions paid out of £1,376k together with the Surplus brought forward of £1,577k and decrease in Bad Debt Provision of £6k - increase the in-year surplus of £885k to a surplus of £1,088k which is carried forward.

## Note 9 Council Tax Collection Fund Balance

The Collection Fund is a statutory fund in which the Council records transactions for Council Tax. The balance on the fund has to be taken into account by the major precepting authorities in determining their respective requirements to be raised through Council Tax in future financial years. The surplus on the Collection Fund is apportioned as follows:

	Amounts accounted for in 2016/17 £'000	Amounts to account for in 2017/18 £'000	Total £'000
Leicestershire County Council	920	(135)	785
Leicestershire Police and Crime Commissioner	153	(22)	131
Charnwood Borough Council	151	(23)	128
Combined Fire Authority	51	(7)	44
<b>Total Surplus</b>	<b>1,275</b>	<b>(187)</b>	<b>1,088</b>

## Note 10 Council Tax Accounting for the Collection Fund Balance

On the basis that surpluses and deficits on the Collection Fund are shared with Leicestershire County Council, Leicestershire Police and Crime Commissioner, Leicestershire Combined Fire Authority and the Borough Council pro-rata to the precepts levied, the Council accounted for the Collection Fund Balance in the 2015/16 accounts as follows:

In the Balance Sheet at 31st March 2016, the Council included an overall Surplus of £1,088k (31st March 2015 Surplus £1,577k) of which £960k relates to Preceptors Share of Surplus (31st March 2015 £1,388k – Preceptors share of Surplus) in the proportions shown below and the balance of £128k (31st March 2015 - £189k) relate to Charnwood Borough Council's share of the Collection Fund Surplus.

2014/15 £'000		2015/16 £'000
1,136	Leicestershire County Council	785
189	Leicestershire Police and Crime Commissioner	131
63	Leicestershire Combined Fire Authority	44
<b>1,388</b>	<b>Total</b>	<b>960</b>

# **Note 11 Business Rates (Surplus)/Deficit on the Collection Fund**

Shares of non-domestic rating income to major preceptors and billing authorities are paid out of the collection fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. However the transactions presented in the collection fund statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis, ie sharing out in full the (surplus) or deficit on the collection fund at the end of the year, even though it will be distributed to or recovered by the authorities in subsequent financial years.

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
(1,217)	Charnwood Borough Council	1,198
(273)	Leicestershire County Council	269
(30)	Leicestershire Combined Fire Authority	30
(1,520)	Central Government	1,498
<b>(3,040)</b>	<b>Deficit/(Surplus) - Balance as at 31st March</b>	<b>2,995</b>



## Glossary of Terms

**Accounting Period** - The period of time covered by the accounts, normally 12 months commencing on 1st April for local authorities.

**Accruals** - Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

**Capital Charges** - Charges made to service revenue accounts based on the value of the assets they use and comprising depreciation.

**Capital Expenditure** - Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

**Capital Financing Costs** - The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

**Capital Receipt** - Income from the sale of capital assets such as council houses, land or other buildings.

**Creditors** - Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

**Current Assets** - Assets which can be expected to be consumed or realised during the next accounting period.

**Current Liabilities** - Amounts which will become due or could be called upon during the next accounting period.

**Debtors** - Amounts owed to the Council, which are collectable or outstanding at 31st March.

**Depreciation** - The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

**Fair Value** - 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

**Finance Lease** - These are lease payments to acquire an asset, these are classified as assets on the Balance Sheet.

**Government Grants** - Payments by central government towards local Council expenditure. They may be specific or general.

**Non Current Asset** - Assets which can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

**Operating Lease** - A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

**Precepts** - The amount which local authorities cannot charge a council tax directly to the public (for example a County Council) and requires Charnwood Borough Council to collect on its behalf.

**Reserves** - Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

**Revenue Expenditure** - Spending on day-to-day items including employees' pay, premises costs and supplies and services.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)** - Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

**Revenue Support Grant** - The main grant paid by central government to a local Council towards the costs of its services.

### Abbreviations used in the accounts:

CIPFA - Chartered Institute of Public Finance and Accountancy	EUV-SH – Existing Use Value for Social Housing
FMS – Financial Management system	HRA - Housing Revenue Account
PWLB – Public Works Loan Board	MRA - Major Repairs Allowance
IFRS – International Financial Reporting Standard	NNDR - National Non-domestic Rates
PSM – Price Sensitivity Measurement	CFR – Capital Financing Requirement
DWP – Department of Works and Pensions	BID – Business Improvement District
MRP - Minimum Revenue Provision	VAT – Value Added Tax



## **Independent auditor's report to the members of Charnwood Borough Council**

We have audited the financial statements of Charnwood Borough Council for the year ended 31 March 2016 on pages 8 to 71. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 76 to 80 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

## **Conclusion on Charnwood Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Charnwood Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Charnwood Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Charnwood Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Charnwood Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

## Certificate

We certify that we have completed the audit of the financial statements of Charnwood Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



**Tony Crawley**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ*

28 September 2016

## **Annual Governance Statement 2015/16**

### **1. SCOPE OF RESPONSIBILITY**

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

This statement explains how the Council has complied with the code, and also meets the requirements of regulation 4[3] and 4[4] of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and process, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community. 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, cost-effective services.

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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2016, and up to the date of the approval of the annual report and accounts.

### **3. THE GOVERNANCE FRAMEWORK**

The key elements of the Council's governance framework are as follows: -

To ensure we focus on the purpose of the Council and on outcomes for the community and that we create and implement a vision for the local area:

The Council's objectives and values are set out in the Corporate Plan and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet, Scrutiny committees and officers.

An annual service and team planning process is in place that includes consultation with service users where appropriate, and which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.

Policies determined during the financial year are approved by Council or Cabinet as appropriate following thorough consultation with key stakeholders and the local community where appropriate.

A corporate complaints procedure is in operation, and is appropriately publicised via the Council's website and other means. All complaints are investigated and corrective action taken to improve processes and

procedures where appropriate. The complaints procedure has been subject to a scrutiny review, and recommendations for improvements have been implemented.

A sound system of internal controls is in place to ensure value for money is obtained and that funds and resources are used appropriately. This includes detailed Financial Regulations, and supporting Financial Procedures, which are reviewed and updated periodically.

To ensure members and officer work together to achieve a common purpose with clearly defined functions and roles:

The Council's constitution sets out the terms of reference for all member committees, including executive and decision making functions, and the scrutiny function.

A member/officer protocol is in place which sets out the expectations and processes that are in place to ensure effective and constructive working relationships.

A scheme of delegation has been approved and is regularly updated, which clearly sets out which responsibilities have been delegated to officers, and how these delegations should operate and be recorded.

To promote values for the Council and to demonstrate that the values of good governance are demonstrated by high standards of conduct and behaviour:

Codes of conduct are in place for members and officers, which clearly specify the required standards of conduct and behaviour, and which require the declaration of any personal interests which may conflict with the interests of the Council.

Registers are maintained to record any declarations of interest made by members or officers.

A 'whistle-blowing' policy is in place for any members, officers or other parties to report suspicions of fraud or other irregularities, and all such reported instances are investigated thoroughly.

A Member Conduct Committee is in place to oversee the process for any allegations relating to the behaviour or conduct of members.

A Code of Corporate Governance is in place which sets out the Council's approach towards, and requirements for achieving good corporate governance.

To ensure that informed and transparent decisions are taken which are subject to effective scrutiny and that risks are managed:

All Cabinet reports recommending decisions include details of any relevant financial and legal implications, and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.

A scrutiny function is in place which has the right to call-in any executive decisions for comment and challenge.

A risk management framework has been established under which strategic risks which may cause the Council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing are identified on an annual basis, are approved by Cabinet, and subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Corporate risks i.e. those which may lead to a significant adverse effect on the Council's ability to provide important public services are identified and monitored on a quarterly basis by the Risk Management Group, which consists of the Chief Executive, Strategic Directors and . Lower level operational risks are identified by the annual service delivery planning process and are monitored on an ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.

To develop the capacity and capability of members and officers to be effective:

A regular personal review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.

A Member Development Strategy has been approved and there is an ongoing programme of training courses for councillors. An intensive induction programme is in place for new councillors.

Thorough and rigorous recruitment and selection processes for officers are in place, and workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.

To engage with local people and other stakeholders to ensure robust public accountability:

The scrutiny function consists of a Scrutiny Management Board, an Overview Scrutiny Group, a Policy Scrutiny Group, a Budget Scrutiny Panel and a Performance Scrutiny Panel. Other scrutiny panels are set up to examine issues on a task and finish basis.

The Audit Committee has responsibility for overseeing the production of the annual statement of accounts, and for the work of Internal Audit. The committee aims to fulfil the core functions of an audit committee as recommended by the Chartered Institute of Public Finance & Accountancy, and is chaired by an independent person who has appropriate experience and qualifications.

The Council has an Internal Audit function which operates in accordance with appropriate requirements and guidance, and which is responsible for providing assurance on the adequacy of internal control and risk management arrangements.

The Council has identified all of its significant partnerships, and has undertaken a risk assessment for all of these partnerships, including ensuring appropriate governance arrangements are in place.

Appropriate employment policies and procedures are in place to ensure responsibilities to staff are met and that employment legislation is complied with. These include disciplinary and capability policies.

Appropriate mechanisms are in place to measure quality of service to users, including use of the 'Govmetric' satisfaction monitoring tool for all major access channels.

Compliance with internal policies and procedures is ensured by various means, including management checks and the work of Internal Audit.

#### 4. CONFORMANCE WITH THE GOVERNANCE REQUIREMENTS OF THE CIPFA STATEMENT ON THE ROLE OF THE CHIEF FINANCE OFFICER

The Chief Financial Officer of the Council is the Strategic Director of Corporate Services. This role is one of four that comprise the Council's senior management team and reports directly to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.

The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The efficacy of the control environment can be evidenced through the Council's recent history of financial outturns, and the timeliness and quality of its financial statements and other financial returns.

The Chief Financial Officer is the Council's Section 151 Officer (from section 151, Local Government Act 1972) and in accordance with the statutory requirements covering this role has an appropriate accountancy qualification. Both the Council's Section 151 Officer and Deputy Section 151 Officer (who is the Council's Head of Finance and Property) are Consultative Committee of Accountancy Bodies (CCAB) qualified accountants and have significant experience in local government. In the opinion of the Chief Financial Officer, the Council's finance function is considered adequately resourced and contains a mix of staff with appropriate levels of professional qualifications and experience.

In the opinion of the Chief Financial Officer the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to *Delivering Good Governance in Local Government Framework*.

## 5. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual Internal Audit report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's statutory officers consist of the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Strategic Support), and the s.151 Officer (Strategic Director – Corporate Services). These officers fulfil the required statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly.

The Council's Internal Audit service operates according to an annual audit programme which is developed using a risk based approach designed to ensure that key financial systems, strategic risk counter measures, and significant Council services are audited at appropriate frequencies so that sufficient assurance on adequacy of the internal control environment and risk management arrangements can be provided.

The Audit & Risk Manager (the Council's Head of Internal Audit) has produced an annual report for 2015/16 which concluded that the Council's overall framework of governance, risk management and internal control is adequate and effective.

Internal Audit did not identify any areas of limited assurance during the year.

Senior managers, and the Audit Committee and Performance Scrutiny Panel are responsible for receiving and considering regular monitoring reports in respect of the risk management framework, the performance management framework, and the work of Internal Audit. The Audit Committee also receive and consider any reports arising from the work of the external auditors.

These arrangements and processes ensure that the Council's corporate governance and internal control arrangements are kept under regular and ongoing review throughout each financial year.

Additionally, as part of the process to produce the Annual Governance Statement, a comprehensive review of all sources of evidence, including external review, audit and inspection work undertaken during the year, has been undertaken.

This review indicates that the Council's corporate governance and internal control arrangements are adequate and effective. Although some areas for further improvement have been identified during the year, none of these are in respect of significant concerns or issues.

The annual audit letter issued by the Audit Commission for 2014/15 did not identify any significant internal control issues, and no recommendations were made.

## 6. SIGNIFICANT GOVERNANCE ISSUES

No significant governance issues have been identified.



## 7. POST BALANCE SHEET EVENTS

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.



Geoff Parker  
Chief Executive  
13<sup>th</sup> September 2016



Cllr David Slater  
Leader of the Council  
13<sup>th</sup> September 2016