

AUDIT COMMITTEE – 12TH SEPTEMBER 2017

Report of the Head of Finance & Property Services

ITEM 06 STATEMENT OF ACCOUNTS 2016/17

Purpose of Report

To consider the Council's Statement of Accounts for 2016/17 and approve them for publication.

Recommendations

1. That the Statement of Accounts for the year ended 31st March 2017 (attached at Appendix A) be approved and that the Chairman (as Presiding person) be authorised to sign the accounts on behalf of the Audit Committee.
2. That the Letter of Representation, as per Appendix B, be approved for signature by the Chief Financial Officer.

Reasons

1 and 2 - To comply with the Accounts and Audit (England) Regulations 2015.

Background and Explanation of the Main Features of the Accounts

The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit (England) Regulations 2015 to 'present a true and fair view' of the financial position of the authority.

The Code is based on International Financial Reporting Standards ('IFRS') amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains:

Narrative Statement – this sets the scene for the Statement of Accounts, giving the overall economic context, more detailed context relevant to the Council and picking out the main points of note on Revenue and Capital. It also references non-financial performance and risk.

Statement of Responsibilities – shows the responsibilities of the Council and Chief Financial Officer for these accounts.

Expenditure & Funding Analysis – shows the costs split between those chargeable to the General Fund & HRA and those which are adjustments for accounting purposes (for example depreciation or revaluation adjustments).

Comprehensive Income & Expenditure Account – shows the cost of services and how they were financed.

Balance Sheet – shows a snapshot of all the Council's assets and liabilities at the year end, both long and short term.

Movement in Reserves Statement – shows the movement in reserves during the year between usable and unusable reserves (the latter being held to store revaluation gains or as adjustments per

legislation and/or accounting practice), and the actual change to the reserves after all adjustments.

Cash Flow Statement – sets out the flow of cash into and out of the Council.

Accounting Policies – technical explanation of main policies and assumptions used in preparing the accounts.

Notes to the Financial Statements – these explain in more detail the make-up of the various amounts included in the core statements.

HRA (Housing Revenue Account) Income & Expenditure Account – this shows income and expenditure regarding Council dwellings.

Collection Fund – sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known.

Auditor's Report – this is the report of the external auditors, KPMG, on the accounts for the year.

Annual Governance Statement – this sets out the Council's Governance procedures and reviews their effectiveness.

Purpose of the Accounts

The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority's finances.

In addition, in order to ensure that the Council is making the best use of its resources Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated and any queries answered.

Basic questions answered by the accounts could include:

- What did the authority's services cost in the year of account?
- Where did the money come from?
- What were the authority's assets and liabilities at the year-end?

The Statement must comply with the Code so that a common pattern can be established across different authorities and, for this reason, it is essential that authorities define individual costs in line with the Service Reporting Code of Practice. There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts are explained below and a Glossary of Terms is shown on page 72 of the Accounts.

Main Changes for 2016/17

The accounts reflect the new reporting requirements to the Comprehensive Income and Expenditure Account, including a new Expenditure and Funding Analysis statement.

Major differences between the 2015/16 figures and those for 2016/17 are shown in Note 6 on pages 5 and 6 of the accounts.

Statement of Responsibilities for the Statement of Accounts, Corporate Governance and the External Audit Report (page 8)

The Statement of Responsibilities on page 8 underlines the responsibility, conferred by law, on the Section 151 officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.

Expenditure & Funding Analysis, Comprehensive Income & Expenditure Account (pages 9&10)

These core statements show the net cost chargeable against the General Fund and HRA for the year across the services of the Council and how these were financed.

The Expenditure & Funding Analysis on page 9 shows the costs of the authority's operations, net of specific grants and income from fees and charges. This section combines the Housing Revenue Account with the General Fund activities. The Net cost of services chargeable to the General Fund and HRA is £10,512k, this is before statutory accounting entries such as Depreciation, Revaluation gains/losses and Actuarial Pension gains/losses.

The next section provides information on the income and expenditure relating to the council as a whole, i.e. these cannot be allocated to specific services. The following section shows how the Council's net expenditure was financed externally through Council Tax and General Government Grants and displays the net Surplus on Provision of Services of £4.4m. Any gains and losses are then adjusted underneath this to give a Total Income & Expenditure figure of £53m credit. How this amount affects the council's reserves is then explained in the Movement in Reserves Statement on page 13. The net increase to the General Fund Reserve was £1.m for 2016/17.

Balance Sheet (pages 11 & 12, and corresponding notes on pages 23 to 58)

This statement is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.

Assets and Liabilities (page 11)

Property, Plant and Equipment – The major movement in the Fixed Assets between the two years was an increase in the valuation of Council Dwellings £57m. £51m is primarily due to the change to the discount factor for Existing Use Value Social Housing; this is further explained on pages 5 and 21. The balance of £6m relates to capital expenditure on fixed assets, including the purchase of 5 new properties and the sale of 61 properties, on page 62.

Intangible Fixed Assets – this comprises computer software and ancillary costs.

Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.

Current Liabilities – are short term creditors, being amounts due to suppliers within 12 months, provisions are amounts set aside for NDR backdated appeals and bank overdraft.

Long-Term Borrowings, over 12 months – this is the £79.19m borrowed in respect of the HRA plus an existing loan of £2m.

Pensions Liability – the £64.8m is calculated each year based on parameters in accordance with Pension valuation IAS 19 and represents the difference in the scheme's assets compared to its liabilities. This is offset by the Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to eradicate any deficit over a period of 20 years.

Financing of the Assets less Liabilities (page 12)

The above descriptions dealt with the net assets side of the Balance Sheet and these are all supported by various reserves and balances. This is more complicated in a local authority because there are no shareholder funds, or proprietor's funds, as one would have in a commercial enterprise.

The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.

Movement in Reserves Statement (page 13)

This shows the movement on the different reserves held by the Council during the financial year. It is analysed between those reserves which are usable by the Council and those which are held for accounting/legislative purposes and are unusable. The 2016/17 accounts also contain a restated Movement in Reserves Statement (page 14) which takes into account an accounting policy change on Existing Use Value for Social Housing undertaken as a result of audit recommendations in 2015/16.

Consolidated Cash Flow Statement (page 15, and corresponding notes on pages 23 to 58)

This statement shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.

Housing Revenue Account (pages 59 to 65)

This ‘ring fenced’ account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation. The surplus for the year was £2,743k, plus the opening balance of £1,158k. A total of £3,280k of this was transferred to the HRA Financing Fund, leaving a balance of £621k on the HRA Account.

The HRA Financing Fund is an earmarked reserve fund for future local government changes ring-fenced to the HRA. The Total balance is £4,030k.

Collection Fund (pages 66 to 71)

This is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to Charnwood. The account represents a quasi ‘trust’ account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors. The Council Tax carry forward surplus at 31st March 2017 is £441k to be re-distributed in future years.

The National Non-Domestic Rates (business rates) are collected on behalf of Leicestershire County Council, Combined Fire Authority, central Government and the Council itself. The government sets various proportions and amounts to be paid to the parties and the Collection Fund then reflects the actual position based on the amounts collected and paid out, provisions for bad and doubtful debts, provisions for potential rating appeals and amounts retained to cover the cost of collection and ‘disregarded amounts’. The latter relate to certain discounts made locally. The NNDR carry forward deficit as at 31st March 2017 is £1.9m will be re-allocated in future years.

Independent Auditor Report (pages 73 to 75)

This report will be explained by the external auditors.

Annual Governance Statement 2016/17 (pages 76 to 80)

This Statement explains the assurance gathering process and considers the wider arrangements supporting a sound corporate governance framework. A separate report to this Committee will set out considerations in respect of this statement in more detail.

The Chief Executive and the Leader of the Council must sign this statement each year following the audit of the accounts.

Officer to Contact:

Clare Hodgson (01509) 634810

Clare.Hodgson@charnwood.gov.uk



STATEMENT OF ACCOUNTS

2016/17

Statement of Accounts 2016/17

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Narrative Statement

1. The financial year 2016/17 has seen significant changes within the UK overall, with the people of the United Kingdom voting to leave the European Union on 23rd June 2016 and the subsequent change of Prime Minister. The full effects of these changes are not yet known, however what remains clear is that this is a time of uncertainty for Local Government and funding from Central Government is likely to continue to reduce for the foreseeable future. Additionally economic growth remains subdued with a resulting continuance of low interest rates and an impact upon funding received by the Council both directly through business rates and indirectly through the total amount of funding available from Central Government. Demographic growth and an increasingly ageing population will also present both challenges and opportunities for the future finances of the Council.

Within the overall economic context, the Council has performed well financially, presenting a balanced budget for 2016/17, gaining returns on investment above average for our benchmarking group and developing an efficiency plan to take us forward and maintain services over the period of the Medium Term Financial Strategy. The financial standing of the Council continues to be robust and built upon solid foundations, with Reserves held at a sufficient level to meet potential future challenges and reductions in Government funding for local authorities. There are good financial management and governance processes and procedures in place which are reviewed regularly by management and internal audit.

On 13th February 2017 the Rt. Hon Marcus Jones MP, Minister for Local Government announced the new Loughborough and Leicester Science and Innovation Enterprise Zone (EZ). The new multi-site science and high-tech manufacturing focussed EZ is set to create over 21,000 new jobs and £123m funding over the next 25 years through the creation of a 'zone of excellence' to support new and growing businesses to bring their innovative ideas and products to the market. This covers two sites within Loughborough, Charnwood Campus and Loughborough University Science and Enterprise Park, as well as one for the wider region at Leicester Waterside.

New legislation is bringing forward the deadline for the closure of accounts and the team have continued to provide excellent work to ensure this deadline is met a year early for 2016/17 closedown. Timely preparation of the accounts provides the Council with an opportunity to address future challenges at an earlier stage, giving more time for planning and preparation. The Accounts for 2016/17, set out have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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 financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The aim is to provide users with information that is fair, balanced and understandable. A glossary of terms is included at the end of the document. The statements should inform readers of:

- The cost of services provided by the Council in the year 2016/17.
- How services were paid for.
- The Council's assets and liabilities at the year-end and
- The financial performance of the Council.

For 2016/17 a new **Expenditure and Funding Analysis** has been included. This reconciles net expenditure chargeable to Council Tax to the Comprehensive Income and Expenditure Statement and provides a comparison of the net resources applied and the net charge against council tax for each Service.

The following Core Financial statements are included: -

- The **Expenditure and Funding Analysis** which shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services.
- The **Comprehensive Income and Expenditure Statement** which shows all of the Council's income and expenditure for the financial year. The top part of the statement shows a breakdown by service and the bottom part relates to transactions and funding at a corporate level. This is in a new format for 2016/17 which links the statement to budget monitoring reports that are produced for management throughout the year and are subject to Member scrutiny.

- The **Balance Sheet** which sets out a ‘snapshot’ of the overall financial position of the Council at 31st March 2017 showing its assets, liabilities and reserves.
- The **Movement in Reserves Statement**. This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’ (i.e. those that arise out of interaction of legislation and proper accounting practice to store revaluation gains or as an adjustment).
- The **Cash Flow Statement** which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties. This also shows whether movements are due to operating activities, new investment or financing activities.
- **Notes to the Core Financial Statements** which give an explanation of key figures within the statements and more detail on the Council’s accounting policies and individual transactions.

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

- **Housing Revenue Account (HRA)** – separately identifies income and expenditure in respect of the Council’s statutory landlord function as a provider of social housing.
- **Collection Fund Statement** - shows the transactions in relation to the collection and distribution of Council Tax and National Non-domestic Rates ('NNDR').
- **Annual Governance Statement** – this sets out the governance and key internal controls in place within the Council.

The statement also contains links to the Council website which gives performance indicators relevant to the Council’s performance against its stated Corporate Plan objectives and shows the development against these indicators throughout the year as well as the position at the year end. Performance against these objectives is measured and monitored on a quarterly basis and is reported to Members. Where performance is below target an action plan is developed to bring this back on track. Within indicators specific to finance it is worth noting that 98.9% of invoices were paid within 30 days against a target of 97% and the average rate of return on internally managed investment funds was 0.63% compared to the average 3 month London Interbank Bid Rate (LIBID) of 0.315%. More details on the Council’s performance and risk monitoring are provided in sections 9 and 10.

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 2017 and this amounted to a £64,814k deficit. This is an increase of £9,440k on the position at 31st March 2016. 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 2016/17**

	Outturn £000	Original Budget £000	Variance £000
Net Service Expenditure	16,918	17,718	800
Revenue Contributions to Capital (RCCO)	413	155	(258)
Interest Paid	240	240	0
Council Tax Support Grant to Parishes	96	96	0
Less: Interest on Balances	(356)	(265)	91
Total Borough Expenditure	17,311	17,944	633
Contribution to/(from) Reinvestment Reserve	(260)	0	260
Contribution to/(from) Working Balance	997	(248)	(1,245)
Contribution to/(from) Growth Support Fund	(61)	0	61
Contribution to/(from) Other Revenue Reserves	67	0	(67)
Contribution to/(from) Capital Plan Reserve	(336)	0	336
Precept Requirement	17,718	17,696	(22)
Revenue Support Grant	2,090	2,090	0
NNDR	4,409	4,409	0
Council Tax Receipts	5,733	5,733	0
Loughborough Special Levy	1,166	1,166	0
Collection Fund Surplus/(Deficit)	(193)	(193)	0
New Homes Bonus	4,491	4,491	0
General Government Grants/S31 compensation	22	0	22
Precept Income	17,718	17,696	22
Revenue Reserves			
Working Revenue Balance at 1st April			
Transfer from General Fund	6,658	2,350	4,308
	997	(248)	1,245
Balance at 31 March	7,655	2,102	5,553
Reinvestment Reserve Balance at 1st April			
Transfers from/(to) General Fund	1,037	729	308
	(260)	0	(260)
Balance at 31 March	777	729	48
Capital Plan Reserve Balance at 1st April			
Funding of Capital Expenditure	3,862	3,862	0
	(336)	(1,436)	1,100
Balance at 31 March	3,526	2,426	1,100
Growth Support Fund Balance at 1st April			
Transfer from General Fund	191	166	25
	(61)	0	(61)
Balance at 31st March	130	166	(36)
Other Revenue Reserves at 1st April			
Transferred from General Fund	439	401	38
	67	0	67
Balance at 31 March	506	401	105
TOTAL BALANCES	12,594	5,824	6,770

The main purpose of the General Fund Revenue Outturn Summary is to compare the General Fund outturn figures to the budget which was set for 2016/17. 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 Account.

The Council's General Fund, Total Borough Expenditure which relates to all its activities except Housing Revenue Account, was £633K (3.5%) lower than the budget of £17,944K. This was primarily due to:

- Net Service expenditure being £800K lower than budget. This was mainly due to additional service related income of approximately £400K which has been taken into account when setting 2017/18 budgets. There are also timing differences within the expenditure budgets of £333K.
- Interest on balances being £91K (34%) 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 2015/16 and lower levels of expenditure.
- Revenue Contribution to Capital being £258K higher than the budget. This budget can be either used for capital or revenue for major repairs, £413K expenditure was capital.

5. Capital Expenditure

For the financial year 2016/17 the Council's capital spending, on an accruals basis, totalled £9,255K compared with a final Capital Plan budget of £11,224K. The net underspend of £1,969K represented 18% of the programme. Budgets on committed schemes worth £1,853K will be carried forward to 2017/18 in order to complete the schemes in that year.

The 2016/17 Capital Expenditure was financed, on an accruals basis, as follows:	£'000	%
Capital Expenditure	9,255	100
Financed by:		
Major Repairs Reserve	1,488	16
Revenue Contributions - General Fund	413	5
Revenue Contributions – HRA	3,645	39
Capital Receipts – General Fund	640	7
Capital Receipts – HRA	146	2
Capital Grants and Contributions	2,923	31
	9,255	100

6. Major Items in the 2016/17 Accounts

There are no major changes to the way the accounts have been compiled in 2016/17 however, in line with the changes set out in the CIPFA Code of Practice, the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement are in a different format and a new Expenditure and Funding Analysis Primary Statement and Expenditure and Funding Analysis Note (Note 9), also the Income Analysed by Nature note (Note 6) has been added. The former helps readers understand the accounts by setting out net expenditure by service. In addition to these changes there are some material differences in the Comprehensive Income and Expenditure Statement between the restated figures for 2015/16 and 2016/17, these being:

- Head of Leisure Services restated net cost is £2.21m higher in 2016/17 than in 2015/16 (total net cost being £1.5m). This is due to asset revaluations within 2015/16 accounts which are reported within the non-controllable costs column.
- The HRA net cost of service is £50.8m lower in 2016/17; this is due to a credit for the revaluation of assets mainly as a result of the EUV-SH adjustment factor for the East Midlands being increased from 34% to 42%.
- The change in fair value of investment properties was £1.6m lower in 2016/17. This is because only one property required revaluation during 2016/17 whereas 13 were revalued during 2015/16 valuations.
- Income from net National Non Domestic Rates (NNDR) is £1.2m greater in 2016/17, in line with budgeted income. The difference is due to 2015/16 income being lower as the result of an increase in provision for appeals during that financial year. The appeals provision did not require further increase during 2016/17 therefore income was as expected.
- Gains on revaluation of fixed assets were lower by £1.3m in 2016/17 than in 2015/16. This is a result of fewer fixed assets requiring revaluation in year. The net revaluation gain on General Fund assets was £1.125m and the net revaluation gain on HRA assets was £0.891m.

- HRA depreciation was restated during 2015/16, resulting in a change of £4.2m which is shown in the restated costs. This resulted from a change to the Council's Depreciation Accounting Policy 17, from using the Existing Use Value valuation to Existing Use Value Social Housing valuation.
- The Pension deficit on the Balance Sheet has increased from £55m to £65m due to increased liabilities in the pension fund.

7. Provisions

The provision for backdated appeals regarding NNDR was been increased to £4.25m in 2015/16 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. This provision has remained at that level for 2016/17 as there is currently a backlog of appeals nationally. 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 2016/17 and whilst the Medium Term Financial Strategy (MTFS) to the end of March 2020 anticipates deficits in the period from 2019/20, 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 retention of business rates still under consideration. These will be taken into account, if known, when the next MTFS to 31st March 2021 is prepared in late 2017.

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

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 12th September 2017 by Simon Jackson, Director of Corporate Services and S.151 Officer. All financial events up to and including 12th September 2017 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 and on public notices displayed in the Council Offices.

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 2017.

Certified by the S151 Officer:

**Simon Jackson
Director of Corporate Services**

12th September 2017

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

12th September 2017

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to General Fund & HRA Balances	Adjustment between Funding & Accounting Basis	Net Expenditure 2015/16 £'000		Net Expenditure Chargeable to General Fund & HRA Balances 2016/17 £'000	Adjustment between Funding & Accounting Basis 2016/17 £'000	Net Expenditure 2016/17 £'000
2015/16 £'000		2015/16 £'000		2016/17 £'000	2016/17 £'000	2016/17 £'000
1,241		320	1,561	Head of Strategic & Private Sector Housing	1,424	1,921
87		0	87	Head of Landlord Services	100	(1) 99
2,263		102	2,365	Head of Planning & Regeneration	1,707	12 1,719
1,011		(23)	988	Head of Regulatory Services	961	8 969
4,602		399	5,001	Housing, Planning Regeneration Directorate	4,192	4,708
6,359		256	6,615	Head of Waste, Engineering & Open Spaces	6,435	6,617
1,024		(1,736)	(712)	Head of Leisure Services	1,037	464 1,501
1,687		57	1,744	Head of Neighbourhood Services	1,757	33 1,790
9,070		(1,423)	7,647	Neighbourhoods & Community Wellbeing Directorate	9,229	9,908
1,330		(1,644)	(314)	Head of Finance & Property Services	145	(258) (113)
1,805		84	1,889	Head of Customer Experience	1,566	26 1,592
2,327		32	2,359	Head of Strategic Support	2,315	(16) 2,299
5,462		(1,528)	3,934	Corporate Services Directorate	4,026	(248) 3,778
19,134	(2,552)	16,582		General Fund Total	17,447	947 18,394
(2,898)		(11,491)	(14,389)	Housing Revenue Account	(6,935)	(58,252) (65,187)
16,236		(14,043)	2,193	Cost of Service	10,512	(57,305) (46,793)
2,791		170	2,961	Other Operating Expenditure	2,936	1,547 4,483
1,022		2,412	3,434	Financing and Investment Income and Expenditure	2,612	1,931 4,543
(22,080)		2,103	(19,977)	Taxation and Non-Specific Grant Income	(20,558)	(532) (21,090)
(2,031)		(9,358)	(11,389)	Surplus on Provision of services	(4,498)	(54,359) (58,857)
				Surplus on Revaluation of Fixed Assets		(2,015)
				Actuarial Gains on Pension Assets/Liabilities		7,875
				Other Comprehensive Income and Expenditure		5,860
				Restated HRA Depreciation		0
				Total Comprehensive Income & Expenditure		(52,997)

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 and rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Expenditure 2015/16 £'000	Gross Income 2015/16 £'000	Gross Expenditure 2015/16 £'000	Restated Net Non- Controllable Costs 2015/16 £'000	Restated Net Service 2015/16 £'000			Gross Expenditure 2016/17 £'000	Gross Income 2016/17 £'000	Net Expenditure 2016/17 £'000	Net Non- Controllable Costs (see Glossary) 2016/17 £'000	Net Cost of Service 2016/17 £'000
							2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000
							2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000
104	0	104	(104)	0	Housing, Planning Regeneration Director		109	0	109	(109)	0
683	(53)	630	931	1,561	Head of Strategic & Private Sector Housing		962	(218)	744	1,177	1,921
0	(169)	(169)	256	87	Head of Landlord Services		0	(179)	(179)	278	99
2,752	(1,200)	1,552	813	2,365	Head of Planning & Regeneration		2,662	(1,559)	1,103	616	1,719
2,016	(1,523)	493	495	988	Head of Regulatory		2,043	(1,532)	511	458	969
5,555	(2,945)	2,610	2,391	5,001	Housing, Planning Regeneration Directorate		5,776	(3,488)	2,288	2,420	4,708
7,801	(2,059)	5,742	873	6,615	Head of Waste, Engineering & Open Spaces		8,089	(2,284)	5,805	812	6,617
230	0	230	(230)	0	Neighbourhoods & Community Wellbeing Director		246	0	246	(246)	0
2,279	(1,708)	571	(1,283)	(712)	Head of Leisure Services		2,449	(1,771)	678	823	1,501
1,738	(333)	1,405	339	1,744	Head of Neighbourhood Services		1,828	(345)	1,483	307	1,790
12,048	(4,100)	7,948	(301)	7,647	Neighbourhoods & Community Wellbeing Directorate		12,612	(4,400)	8,212	1,696	9,908
105	0	105	(105)	0	Corporate Services Director		108	0	108	(108)	0
190	0	190	(190)	0	Chief Executive's Team		218	0	218	(218)	0
2,436	(1,296)	1,140	(1,454)	(314)	Head of Finance & Property Services		2,534	(1,276)	1,258	(1,371)	(113)
36,279	(32,652)	3,627	(1,738)	1,889	Head of Customer Experience		35,613	(31,966)	3,647	(2,055)	1,592
3,399	(575)	2,824	(465)	2,359	Head of Strategic Support		3,393	(636)	2,757	(458)	2,299
42,409	(34,523)	7,886	(3,952)	3,934	Corporate Services Directorate		41,866	(33,878)	7,988	(4,210)	3,778
60,012	(41,568)	18,444	(1,862)	16,582	Total General Fund		60,254	(41,766)	18,488	(94)	18,394
9,471	(23,190)	(13,719)	(670)	(14,389)	Housing Revenue Account (Exceptional Item)		9,863	(22,778)	(12,915)	(52,272)	(65,187)
69,483	(64,758)	4,725	(2,532)	2,193	Cost of Service		70,117	(64,544)	5,573	(52,366)	(46,793)
					Parish Precepts					2,936	
					Contribution to Housing Pooled Capital Receipts					1,602	
					(Gains)/Loss on Disposal Fixed Assets					(55)	
					Capital Receipt not related to Asset Disposal					(0)	
					Other Operating Expenditure					4,483	
					Interest Payable and similar charges					3,020	
					Net Pensions Interest and Costs					1,931	
					Interest and Investment Income					(396)	
					Investment Properties Change in Fair Value					(12)	
					Financing and Investment Income and Expenditure					4,543	
					General Government Grant (Note 29)					(6,502)	
					Capital Grants & Contributions (Note 29)					(178)	
					Non Domestic Rates Distribution (Note 29)					(4,500)	
					Council Tax Income (Note 29)					(9,836)	
					Collection Fund (Note 29)					(74)	
					Taxation & non-specific Grant Income					(21,090)	
					(Surplus)/Deficit on provision of services					(58,857)	
					(Gains)/Losses on revaluation of Fixed Assets					(2,015)	
					Actuarial (Gains)/Losses on pension assets/liabilities					7,875	
					Other Comprehensive Income & Expenditure					5,860	
					HRA Depreciation Restatement (Exceptional Item)					0	
					Total Comprehensive Income & Expenditure					(52,997)	

Balance Sheet as at 31st March 2017

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'.

Restated 31st March 2016 £'000		Note	31st March 2017 £'000	31st March 2017 £'000
192,712	Council Dwellings	10	248,426	
45,423	Other Land & Buildings	10	46,527	
978	Vehicles, Plant & Equipment	10	894	
51	Infrastructure Assets	10	43	
3,030	Community Assets	10	3,188	
36	Assets Under Construction	10	0	
868	Surplus Assets Not Held for Sale	10	915	
243,098	Property, Plant and Equipment Total			299,993
229	Heritage Assets	13		229
3,520	Investment Property	11		3,462
0	Long Term Investments			2,000
263	Intangible Assets	12		265
247,110	Long-Term assets (Sub-total)			305,949
18,959	Short -Term Investments	14		22,000
53	Surplus Assets held for Sale	18		0
99	Inventories	15		93
8,448	Short -Term Debtors	16		8,800
(3,228)	Bad Debt Impairments	16		(3,183)
13,214	Cash and Cash Equivalents	17		15,437
37,545	Current Assets (Sub-Total)			43,147
(438)	Bank Overdraft	17		(789)
(11,532)	Short-Term Creditors	19		(12,417)
(1,700)	Provisions	20		(1,700)
(13,670)	Current Liabilities (Sub-Total)			(14,906)
(81,190)	Long-Term Borrowing, over 12 Months	14		(81,190)
(55,374)	Defined Benefit Pension Scheme Asset/(Liability)	34		(64,814)
(1,717)	Capital Grants Receipts in Advance	29		(2,485)
(138,281)	Long term Liabilities Total			(148,489)
132,704	Net Assets Total			185,701

Balance Sheet as at 31st March 2017

Restated 31st March 2016 £'000		Note	31st March 2017 £'000	31st March 2017 £'000
(7,138)	Capital Receipts Reserve	21		(8,291)
(2,053)	Major Repairs Reserve	7		(3,400)
(4,492)	Revenue Reserves	7		(4,162)
(1,037)	Reinvestment Reserve	7		(777)
(298)	Capital Grants Unapplied	21		(184)
(6,658)	General Fund Balance			(7,655)
(1,158)	HRA Fund Balance			(621)
(750)	HRA Financing Fund	7		(4,030)
(23,584)	Usable Reserves Total			(29,120)
1,070	Collection Fund Adjustment Account	22		717
(148,053)	Capital Adjustment Account	22		(202,880)
55,374	Pension Reserve (Surplus)/Deficit	22		64,814
(17,773)	Revaluation Reserve	22		(19,497)
262	Accumulated Absences Account	22		265
(109,120)	Unusable Reserves Total			(156,581)
(132,704)	Total Reserves			(185,701)

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 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.

Movement in Reserves Statement 2016-17	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
Opening Balance at the beginning of the period (Surplus)/Deficit on provision of Services (accounting basis) Other Comprehensive Income and Expenditure Total Comprehensive Income and Expenditure	(6,658)	(5,529)	(1,158)	(2,803)	(7,138)	(298)	(23,584)	(109,120)	(132,704)
	3,104	0	(61,961)	0	0	0	(58,857)	0	(58,857)
	0	0	0	0	0	0	0	5,860	5,860
	3,104	0	(61,961)	0	0	0	(58,857)	5,860	(52,997)
Adjustments Primarily involving the Capital Receipts Reserve:									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	786	0	786		
Cash Proceeds	0	0	0	0	(1,939)	0	(1,939)		
Adjustments Primarily involving the Capital grants Unapplied Account:									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	114	114		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	0	0		
Adjustments Primarily involving the Major Repairs Reserve:									
Depreciation credited to MRA	0	0	0	(2,835)	0	0	(2,835)		
Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	1,488	0	0	1,488		
Subtotal	0	0	0	(1,347)	(1,153)	114	(2,386)	2,386	0
Adjustment between Accounting basis and Funding basis under Regulations:									
Pension Fund Reserve	(1,659)	0	94	0	0	0	(1,565)		
Collection Fund Account	(76)	0	0	0	0	0	(76)		
Accumulated Absences Account	(3)	0	0	0	0	0	(3)		
NNDR and Renewable Energy	429	0	0	0	0	0	429		
HRA and GF for revaluations	(47)	0	47	0	0	0	0		
Capital Adjustment Account	536	0	55,814	0	0	0	56,350		
-Upward Revaluation	(46)	0	0	0	0	0	(46)		
- Downward Revaluation	(46)	0	0	0	0	0	56		
-Gain/(Loss) on Disposal of Non-Current Assets	462	0	(406)	0	0	0	(3,518)		
-Revenue Expenditure Funded from Capital	(3,518)	0	0	0	0	0	(1,184)		
- Depreciation	(1,184)	0	0	0	0	0			
Capital Expenditure charged against General Fund and HRA balances	413	0	3,645	0	0	0	4,058		
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	2,784	0	24	0	0	0	2,808		
Capital Receipts Reserve	(1,602)	0	0	0	0	0	(1,602)		
Sub Total Adjustments between accounting basis and funding basis under regulations	(3,511)	0	59,218	0	0	0	55,707	(55,707)	0
Net (Increase)/Decrease before transfers to earmarked reserves	(406)	0	(2,743)	(1,347)	(1,153)	114	(5,535)	(47,462)	(52,997)
Transfers to/(from) earmarked reserves	(590)	590	3,280	(3,280)	0	0	0	0	0
Sub Total (increase)/decrease in the year	(996)	590	537	(4,627)	(1,153)	114	(5,535)	(47,462)	(52,997)
Balance at the end of the period	(7,655)	(4,939)	(621)	(7,430)	(8,291)	(184)	(29,120)	(156,581)	(185,701)

Restatement Movement in Reserves Statement 2015-16	General Fund Balance	Earmarked 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
Opening Balance at the beginning of the period (Surplus)/Deficit on provision of Services (accounting basis)	(5,064)	(5,131)	(1,003)	(2,919)	(5,515)	(371)	(20,003)	(79,638)	(99,641)
Other Comprehensive Income and Expenditure	(400)	0	(10,989)	0	0	0	(11,389)	0	(11,389)
Total Comprehensive Income and Expenditure	(400)	0	(10,989)	0	0	0	(11,389)	(25,892)	(37,281)
Adjustments Primarily involving the Capital Receipts Reserve:									
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)		
Adjustments Primarily involving the Capital grants Unapplied Account:									
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)		
Adjustments Primarily involving the Major Repairs Reserve:									
Depreciation credited to MRA	0	0	0	(2,288)	0	0	(2,288)		
Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	3,154	0	0	3,154		
Subtotal	0	0	0	866	(1,623)	73	(684)	684	0
Adjustment between Accounting basis and Funding basis under Regulations:									
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	4,940	0	3,963	0	0	0	8,903		
-Upward Revaluation	(724)	0	0	0	0	0	(724)		
- 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	6,659	0	0	0	7,200		
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)		
Sub Total Adjustments between accounting basis and funding basis under regulations	(1,592)	0	10,084	0	0	0	8,492	(8,492)	0
Net (Increase)/Decrease before transfers to earmarked reserves	(1,992)	0	(905)	866	(1,623)	73	(3,581)	(33,700)	(37,281)
Transfers to/(from) earmarked reserves	398	(398)	750	(750)	0	0	0	0	0
HRA Depreciation restated	0	0	0	0	0	0	0	4,218	4,218
Sub Total (increase)/decrease in the year	(1,594)	(398)	(155)	116	(1,623)	73	(3,581)	(29,482)	(33,063)
Balance at the end of the period	(6,658)	(5,529)	(1,158)	(2,803)	(7,138)	(298)	(23,584)	(109,120)	(132,704)

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 (i.e. borrowing) to the Council.

Restated 2015/16 £'000		2016/17 £'000
(11,389)	Net (Surplus)/Deficit on the provision of services	(58,857)
	Adjustments for non-cash movements	
2,908	Depreciation, Impairment Amortisation of Non-current Assets	52,510
(2,722)	Net Charges made for Retirement Benefit	(1,565)
21	Increase/(Decrease) in Inventories	(6)
(305)	Increase/(Decrease) in Debtors	629
(369)	(Increase)/Decrease in Creditors	1,130
(2,550)	Carrying Amount of non-current Assets and non-current Assets held for sale	(3,486)
(66)	Other non-cash items charged to the net Surplus or Deficit on Provision of Services	56
(3,083)	Adjustments to net Surplus/Deficit for non-cash movements	49,268
	Adjustments for items that are Investing or Financing Activities	
4,223	Other Capital Receipts and (Gains)/Loss on Sale non-current Assets	6,349
(10,249)	Net Cash outflows/(inflows) from Operating Activities	(3,240)
8,331	Net Capital Activities	(2,130)
959	Net Change in Investments	5,041
9,290	Net Cash outflows/(inflows) from Investing Activities (Note 24)	2,911
2,974	Net Cash outflows/(inflows) from Financing Activities (Note 25)	(1,543)
2,015	Net (Increase)/Decrease in Cash and Cash Equivalents	(1,872)
14,791	Cash and Cash Equivalents at the beginning of the period	12,776
12,776	Cash and Cash Equivalents at the end of the period (Note 17)	14,648
2,015	(Increase)/Decrease in Cash and Cash Equivalents	(1,872)

Accounting Policies

1. General Principles

This Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31st March 2017 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 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17, 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 2.6% 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 2015/16 was 3.5 %).

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, the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment. These costs are 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 to 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the 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.

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 (certainty rate) 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, 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 Council 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 2016/17. 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-minimus 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. There has been an accounting policy change and therefore depreciation is now calculated based on the Existing Use Value Social Housing value. The existing Use Value Social Housing reflects a reduction in the value of the assets based on their occupancy by tenants who could exercise a right to buy etc., and is a reduction on the Existing Use Value amount. In 2015/16 by 34% and in 2016/17 the adjustment for the East Midlands was amended to 42%.

Until 2015/16 depreciation for council dwellings was based on the Existing Use Value and the change follows a review of the accounting policy. The 2015/16 accounts have been restated to reflect this change in accounting policy. Depreciation is credited to the Major Repairs Reserve which primarily finances capital expenditure. For the purpose of the restatement depreciation is the lower figure and the capital programme has been nominally shown as having been financed instead from an increase in capital expenditure funded by the HRA. The restatement provides a comparator with the new accounting procedure in 2016/17 only and actual balances are unchanged.

The effect of the restatement change is:

	Original 2015/16 £000	Restated 2015/16 £000	Difference £000
HRA Depreciation	6,464	2,246	4,218
Capital expenditure funded by the HRA	2,441	6,659	(4,218)

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.

22. Accounting for Council Tax

The Council Tax income for the year credited to the Collection Fund is the accrued income for the year but regulations determine when it should be released from the Collection Fund to the Council's General Fund or to major preceptors. The amount credited to the General Fund under statute is Council's demand for the year plus or minus its share of the surplus or deficit on the Collection Fund for the previous year. The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this amount and the amount credited to the General Fund is transferred to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

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

23. Accounting for Business Rates

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

The Business Rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR3 return. The difference between this amount and the amount credited to the General Fund is transferred to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

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

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 2016/17 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 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 National Non-Domestic Rates processes, reliefs and rules. Additionally the financial impact of the decision for Britain to leave the European Union remains unclear as negotiations are still underway. However, the Council has determined that these uncertainties are 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

The HRA depreciation was restated during 2015/16, resulting in a change of £4.2m which is shown in the restated costs. This resulted from a change to the Council's Depreciation Accounting Policy 17, from using the Existing Use Value valuation to Existing Use Value Social Housing valuation.

Note 5 Events after the Balance Sheet Date

The Statement of Accounts was authorised for presentation by the S151 Officer on 31st May 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Restatement 2015/16 £'000		2016/17 £'000
	Expenditure	
17,621	Employee Benefits Expenses	18,060
53,213	Other Services Expenses	55,574
16,488	Support Service Recharges	14,790
(4,556)	Depreciation, Amortisation, Impairments	(52,521)
3,017	Interest Payments	3,020
2,412	Net Pension Interest	1,931
2,791	Precepts and Levies	2,936
687	Payment to Housing Capital Receipts Pool	1,602
(33)	Capital Receipts Not Related to Asset Disposal	0
(484)	Gain on the Disposal of Assets	(55)
91,156	Total Expenditure	45,337
	Income	
(65,687)	Fees, Charges and Other Income	(67,173)
(16,533)	Recharge Income	(15,535)
(348)	Interest and Investment Income	(396)
(12,646)	Income from Council Tax and Non Domestic Rates	(14,410)
(6,940)	Government Grants and Contributions	(6,502)
(391)	Capital Grants	(178)
(102,545)	Total Income	(104,194)
(11,389)	(Surplus) or Deficit on the Provision of Services	(58,857)

Note 7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

	Balance at 31st March 2016 £'000	Transfers Out £'000	Transfers in £'000	Balance at 31st March 2017 £'000
Revenue Reserves				
Reinvestment Reserve	(1,037)	260	0	(777)
Growth Support Fund	(191)	61	0	(130)
Capital Plan Reserve	(3,862)	336	0	(3,526)
Other	(439)	0	(67)	(506)
Total General Fund	(5,529)	657	(67)	(4,939)
HRA Financing Fund	(750)	35	(3,315)	(4,030)
HRA Major Repairs Reserve	(2,053)	1,488	(2,835)	(3,400)

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:

2015/16				2016/17	
£'000	£'000	£'000	£'000	£'000	£'000
	(959)	Balance at 1st April			(1,037)
7		Redundancy/Compensation Payments	10		
0		Feasibility of Creating Small Industrial Units Messenger Close Loughborough	5		
0		Online Customer Experience Project	70		
67		Multi-Agency Co-Location Programme	0		
16		Our Space Programme	94		
6		Environmental Services Contract – Procurement Costs	4		
50		Tree Maintenance Priority Works	0		
13		BID Ballot and Consultation Process	16		
9		Town Hall Restructure – Salary Protection Costs	5		
305		Capital Allocation – DWP Co-Location	0		
0		Capital Allocation – Online Customer Experience Project	53		
17		Capital Allocation – Fit Out Costs Meadow Lane Industrial Site	0		
19		Capital Allocation – Relocation Limehurst Depot Staff	0		
102		Capital Allocation – Lagan Upgrade	3		
	611	Total Expenditure in the Year		260	
	(525)	Transfer from the Capital Plan Reserve	0		
	(164)	Transfer from the General Fund	0		
	(1,037)	Balance at 31st March		(777)	

Note 8 Other Income and Expenditure

Other income and expenditure included within the Comprehensive Income and Expenditure Cost of Service are Loughborough Special Expenditure and Building Control Account as detailed below:-

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 debit balance of £30K in 2015/16. However, a credit of £135K was adjusted in the setting of the special expenses levy for 2017/18, leaving a credit balance of £165K to be adjusted for in future years. The 2016/17 debit balance of £28K will be adjusted in the setting of the special expenses levy for 2018/19.

Loughborough Special Expenses 2015/16 Budget £'000	Loughborough Special Expenses 2015/16 Actuals £'000	Debit Balance £'000		Loughborough Special Expenses 2016/17 Budget £'000	Loughborough Special Expenses 2016/17 Actuals £'000	Debit Balance £'000
1,136	1,166	30	Total Levy Adjustments from Year 2014/15	1,167	1,195	28
0	0	0	Adjustments from Year 2013/14	86	86	0
151	151	0	Council Tax Freeze Grant	0	0	0
(68)	(68)	0	Council Tax Support Grant	(13)	(13)	0
(108)	(108)	0	Amended Total Levy	(74)	(74)	0
1,111	1,141	30		1,166	1,194	28

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.

2015/16 £'000		2016/17 £'000
237 (201)	Chargeable Work	
36	Expenditure	250
	Income	(187)
	(Surplus)/Deficit	63
192 (14)	Non-Chargeable Work	
178	Expenditure	166
	Income	(32)
	(Surplus)/Deficit	134

Note 9 Note to the Expenditure and Funding Analysis

Capital Purpose Adjustments for 2015/16	Net Change for Pension Adjustments 2015/16	Other Differences 2015/16	Total Adjustments between Funding & Accounting Basis 2015/16			Total Adjustments between Funding & Accounting Basis 2016/17	Net Change for Pension Adjustments 2016/17	Other Differences 2016/17	Total Adjustments between Funding & Accounting Basis 2016/17
£'000	£'000	£'000	£'000			£'000	£'000	£'000	£'000
0	20	300	320	Head of Strategic & Private Sector Housing		0	(18)	514	496
20	34	48	102	Head of Planning & Regeneration		24	(16)	4	12
(48)	28	(3)	(23)	Head of Regulatory Services		17	(9)	0	8
(28)	82	345	399	Housing, Planning Regeneration Directorate		41	(43)	518	516
205	87	(36)	256	Head of Waste, Engineering & Open Spaces		156	(60)	86	182
(1,749)	10	3	(1,736)	Head of Leisure Services		477	(13)	0	464
11	18	28	57	Head of Neighbourhood Services		8	(16)	41	33
(1,533)	115	(5)	(1,423)	Neighbourhoods & Community Wellbeing Directorate		641	(89)	127	679
(1,309)	(115)	(373)	(1,797)	Head of Finance & Property Services		(141)	(104)	(61)	(306)
149	40	(105)	84	Head of Customer Experience		150	(16)	(108)	26
3	33	(4)	32	Head of Strategic Support		4	(20)	0	(16)
(1,157)	(42)	(482)	(1,681)	Corporate Services Directorate		13	(140)	(169)	(296)
(2,718)	155	(142)	(2,705)	General Fund Total		695	(272)	476	899
(8,345)	156	(3,149)	(11,338)	Housing Revenue Account		(56,050)	(94)	(2,060)	(58,204)
(11,063)	311	(3,291)	(14,043)	Net Cost of Service		(55,355)	(366)	(1,584)	(57,305)
				Other Income and Expenditure from Funding Analysis					
		687	687	Contribution to Housing Pooled Capital Receipts				1,602	1,602
		(484)	(484)	(Gains)/Loss on Disposal Fixed Assets				(56)	(56)
		(33)	(33)	Capital Receipt not related to Asset Disposal				0	0
		2,412	2,412	Net Pensions Interest Costs				1,931	1,931
		(391)	(391)	Capital Grants and Contributions				(178)	(178)
		2,434	2,434	Non Domestic Rates Distribution				(430)	(430)
		60	60	Collection Fund				76	76
(11,063)	311	1,394	(9,358)	Difference between General Fund/HRA Surplus and Comprehensive Income and Expenditure		(55,355)	(366)	1,361	(54,360)

Note 10 Property, Plant and Equipment

Movements in 2016/17	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Plant, Property and Equipment £'000
Cost or Valuation								
At 1st April 2016	194,728	45,481	6,845	1,461	3,031	868	36	252,450
Additions	5,253	56	197	0	122	0	0	5,628
Revaluation increases/(decreases) recognised in the Revaluation Reserve	662	572	0	0	0	8	0	1,242
Revaluation increases/(decreases) recognised in the Provision of Services	51,155	529	0	0	0	0	0	51,684
De-recognition – disposals	(3,333)	0	(259)	0	0	0	0	(3,592)
Asset Reclassification	0	(40)	0	0	36	40	(36)	0
At 31st March 2017	248,465	46,598	6,783	1,461	3,189	916	0	307,412
Accumulated Depreciation and impairment								
At 1st April 2016	(2,016)	(58)	(5,867)	(1,410)	(1)	0	0	(9,352)
Depreciation charge	(2,787)	(865)	(252)	(8)	0	(3)	0	(3,915)
Depreciation written out to the Revaluation Reserve	105	666	0	0	0	3	0	774
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,659	185	0	0	0	0	0	4,844
Derecognition – disposals	0	0	230	0	0	0	0	230
Asset Reclassification	0	1	0	0	0	(1)	0	0
At 31st March 2017	(39)	(71)	(5,889)	(1,418)	(1)	(1)	0	(7,419)
Net Book Value at 31st March 2017	248,426	46,527	894	43	3,188	915	0	299,993
Net Book Value at 31st March 2016	192,712	45,423	978	51	3,030	868	36	243,098

Restated Movements in 2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Plant, Property and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2015	187,037	40,365	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	0	3,209	0	0	0	(293)	0	2,916
Revaluation increases/(decreases) recognised in the Provision of Services	45	1,601	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
At 31st March 2016	194,728	45,481	6,845	1,461	3,031	868	36	252,450
Accumulated Depreciation and impairment								
At 1st April 2015	(31)	(75)	(5,623)	(1,403)	(1)	(2)	0	(7,135)
Depreciation charge	(2,245)	(1,097)	(335)	(7)	0	(5)	0	(3,689)
Restated Difference	(4,218)	0	0	0	0	0	0	(4,218)
Depreciation written out to the Revaluation Reserve	0	396	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
At 31st March 2016	(2,016)	(58)	(5,867)	(1,410)	(1)	0	0	(9,352)
Net Book Value at 31st March 2016	192,712	45,423	978	51	3,030	868	36	243,098
Net Book Value at 31st March 2015	187,006	40,290	1,035	58	3,030	96	847	232,362

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 10 and 12 reconciling movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

Capital Commitments

At 31st March 2017, 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 2017/18. Similar commitments at 31st March 2016 were £10,325K with future year's budgets being £11,528K. The current major commitments are:

	31st March 2017 £'000
Carbon Management Projects	191
Car Parks – Repairs and Replacements	290
Community Facilities Grants	199
Green Spaces Programme	261
Hallam Fields Community Hall	350
Loughborough University Science and Enterprise Park	350
Community Shop	120
Mountsorrel – New Memorial Hall	996
Private Sector Housing and Disabled Facilities Grants	560
HRA Decent Homes and Neighbourhoods	7,513
Other Commitments	698
	11,528

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 2017 on a 'desk top' basis by the Valuer to reflect their fair value as at that time.

Note 11 Investment Properties

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

2015/16 £'000		2016/17 £'000
(60)	Rental Income from Investment Property	(60)
0	Direct Operating expenses arising from investment property	33
(60)	Total	(27)

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

2015/16 £'000		2016/17 £'000
1,952	Balance at the start of the year	3,520
1,647	Change in Fair Values	12
(79)	Transfers to/from Property, Plant and Equipment	0
0	Other changes - Disposals	(70)
3,520	Balance at the end of the year	3,462

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2017 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2017 £'000
Investment Land	0	2,790	315	3,105
Investment Properties	0	255	102	357
Surplus	0	915	0	915
Total	0	3,960	417	4,377

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

	As at 31st March 2017 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range	Sensitivity
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 12 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 £105K was charged to revenue in 2016/17 and is analysed in the following table:

2015/16 £'000	Amortisation Charged to the Comprehensive Income and Expenditure Statement	2016/17 £'000
3	Cultural and Related Services	3
8	Housing Services – HRA	11
85	Absorbed over Service Headings	91
96		105

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

2015/16 £'000		2016/17 £'000
	Balance at start of year:	
2,928	Gross carrying amounts	2,983
(2,631)	Accumulated Amortisation	(2,720)
	Net carrying amount at start of year	263
297	Additions: Purchases	107
62	Amortisation for the period	(105)
(96)	Derecognition – disposals	(84)
(7)	Derecognition – depreciation written out	84
7		
263	Net carrying amount at end of year	265
	Comprising:	
2,983	Gross carrying amounts	3,006
(2,720)	Accumulated Amortisation	(2,741)
263		265

Note 13 Heritage Assets

2015/16 £'000		2016/17 £'000
229	Balance at the start of the year	229
0	Assets reclassified from Community Assets	0
0	Revaluations	0
229	Balance at the end of the year	229

Note 14 Financial Instruments

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

	Long-Term		Short-Term	
	31st March 2016 £'000	31st March 2017 £'000	31st March 2016 £'000	31st March 2017 £'000
	Investments			
Loans and Receivables	0	0	18,959	25,000
Total Investments	0	0	18,959	25,000
Debtors				
Loans and Receivables	0	0	2,718	3,118
Total Debtors	0	0	2,718	3,118
Borrowings				
Financial Liabilities at amortised cost	81,190	81,190	0	0
Total Borrowings	81,190	81,190	0	0
Creditors				
Financial Liabilities	0	0	7,978	7,478
Total Creditors	0	0	7,978	7,478

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

Investment held on behalf of Newtown Linford Parish Council	Cost Price £	Nominal Value £
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 £3.463m 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 £92.6m 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 7 and 44 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 2.82% and 3.53% 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 £2.929m 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.

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 2017 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

	2015/16			2016/17		
	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
Total Expense in Surplus or Deficit on the Provision of Services	0	2,929	2,929	0	2,929	2,929
Interest Income	(264)	0	(264)	(272)	0	(272)
Total Income in Surplus or Deficit on the Provision of Services	(264)	0	(264)	(272)	0	(272)
Gain on Revaluation	0	0	0	0	0	0
Surplus/deficit arising on revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0
Net (Gain)/Loss for the Year	(264)	2,929	2,665	(272)	2,929	2,657

Note 15 Inventories

31st March 2016 £'000		31st March 2017 £'000
77	Housing Van Stock	69
11	Franking Machines	10
11	Other	14
99		93

Note 16 Short-Term Debtors

31st March 2016		31st March 2017
£'000		£'000
<u>Amounts falling due in one year:</u>		
661	HM Revenue and Customs	567
0	Government Departments	451
931	Housing Rents	909
1,201	Reserved Debtors	1,170
3,814	Sundry Debtors	4,222
329	CBC Net Share of Council Tax Debtors	344
354	Council Tax Preceptors Cash Paid in Advance	743
678	NNDR Leicestershire Pool	0
389	CBC Share of NNDR Arrears	348
91	Other	46
8,448		8,800

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 £3,183K (2015/16 £3,228K).

Bad Debts Impairments

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

2015/16 £'000		2016/17 £'000
(32)	Bed and Breakfast	(42)
(2,089)	Housing Benefits	(1,921)
(136)	General Fund Other	(112)
(820)	HRA Rents	(975)
(139)	CBC Share of NNDR Bad/Doubtful Debt	(119)
(12)	General Fund Rent	(14)
(3,228)		(3,183)

Note 17 Cash and Cash Equivalents

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

31st March 2016 £'000		31st March 2017 £'000
254	Cash held by the Council	187
12,960	Short-term deposits with approved institutions	15,250
13,214		15,437
(438)	Bank Overdraft	(789)
(438)		(789)
12,776	Total Cash and Cash Equivalents	14,648

Note 18 Surplus Assets Held for Sale

2015/16 Current Assets £'000		2016/17 Current Assets £'000
53	Balance outstanding at start of year	53
0	Derecognition - Disposals	(53)
53	Balance outstanding at year end	0

Note 19 Short-Term Creditors

31st March 2016		31st March 2017
£'000		£'000
493	HM Revenue and Customs	534
311	Government Departments	7
143	Leicestershire County Council	152
390	Housing Rents	483
3,416	Other Sundry Creditors	1,841
4,172	Reserved Creditors	5,154
1,505	Section 106 Developers' Contributions	1,728
154	CBC Share of Overpaid Council Tax	192
262	Provision for Accumulated Absences	265
0	Council Tax Cash Due To Preceptors	0
122	NNDR - CBC Share Overpayments	243
85	NNDR - Leicestershire County Council	211
470	NNDR - Central Government	1,172
0	NNDR - Leicestershire Pool	412
9	NNDR - Combined Fire Authority	23
11,532		12,417

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 2017.

Note 20 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.

2015/16 £'000		2016/17 £'000	2016/17 £'000
(600)	NNDR Provision for Appeals Brought Forward 1st April	(1,700)	
(1,100)	Changes to Provision: Increase in Provision NNDR Appeals	0	
(1,700)	Balance at 31st March		(1,700)

Note 21 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. It is recommended that there are at least £110 per council house dwelling within this reserve. The actual dwelling amount at 31/3/2017 was £110.

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement, 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.

2015/16 £'000		2016/17 £'000
(5,515)	Balance at 1st April	(7,138)
(1,760)	General Fund amounts receivable	(1,794)
(568)	HRA amounts receivable – 1-4-1 receipts	(5)
(51)	HRA amounts receivable – other	(140)
756	Amounts applied to finance new capital investments	786
(7,138)	Balance at 31st March	(8,291)

Usable Capital Grants and Contributions Reserve

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

2015/16 £'000		2016/17 £'000
(371)	Balance at 1st April	(298)
81	Amounts applied to finance new capital investments	114
(8)	Amounts transferred to/(from) revenue	0
(298)	Balance at 31st March	(184)

Note 22 Unusable Reserves

31st March 2016 £'000		31st March 2017 £'000
1,070	Collection Fund Adjustment Account	717
0	Deferred Credits (Deferred Capital Receipts)	0
(148,053)	Capital Adjustment Account	(202,880)
55,374	Pension Reserve Deficit	64,814
(17,773)	Revaluation Reserve	(19,497)
262	Accumulated Absences Account	265
(109,120)		(156,581)

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.

2015/16 £'000		2016/17 £'000	2016/17 £'000
(14,707)	Balance at 1st April		(17,773)
(3,705)	Upward Revaluation of Assets	(2,723)	
376	Downward Revaluation of Assets and Impairment	707	
(3,329)	Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(2,015)
20	Adjusting amounts written to the Capital Adjustment Account	0	
243	Difference between Fair Value Depreciation and Historical Cost Depreciation	292	
263	Amount written off to the Capital Adjustment Account		291
(17,773)	Balance at 31st March		(19,497)

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.

Restated 31st March 2016 £'000		31st March 2017 £'000 £'000
(139,013)	Balance at 1st April Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: 653 Charges for Depreciation and Impairment on Non-current Assets 724 Revaluation losses on Property, Plant and Equipment 96 Amortisation of Intangible assets 1,321 Revenue Expenditure Funded from Capital under Statute 2,550 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	(148,053) (52,425) 46 105 3,518 3,487 (45,269) (292)
5,344		
(263)	Adjusting amounts written out of the Revaluation Reserve Net written out amount of the cost of Non-current Assets consumed in the year	(193,614)
(133,932)	Capital financing applied in the year: (756) Use of Capital Receipts to finance new capital expenditure (3,154) Use of Major Repairs Reserve to finance new capital expenditure (1,282) Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing (82) Application of grants to capital financing from the Capital Grants Unapplied Account (7,200) Capital expenditure charged against the General Fund and HRA balances	(786) (1,488) (2,808) (114) (4,058) (9,254) (12)
(12,474)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(202,880)
(1,647)	Balance at 31st March	
(148,053)		

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.

2015/16 £'000		2016/17 £'000
75,215	Balance at 1st April	55,374
(22,563)	Actuarial (gains) or losses on pension assets and liabilities	7,875
5,717	Reversal of items relating to retirement benefits to the Comprehensive Income and Expenditure Statement	4,754
(2,995)	Employers Pension Contributions in the year	(3,189)
55,374	Balance at 31st March	64,814

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 and Notes to the Collection Fund Statement.

31st March 2016 £'000		31st March 2017 £'000
(1,425)	Balance at 1st April	1,070
	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:	
60	Council Tax	76
2,435	Business Rates	(429)
1,070	Balance at 31st March	717

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 31st March. Statutory arrangements require that the impact on the General Fund and HRA is neutralised by transfers to or from the Account.

31st March 2016		31st March 2017
	£'000	£'000
293	Balance at 1st April	262
(31)	Amounts accrued at the end of the current year 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	3
262	Balance at 31st March	265

Note 23 Cash Flow Statement – Operating Activities include the following within the Comprehensive Income and Expenditure Statement:-

2015/16 £'000		2016/17 £'000
(348)	Interest Received	(396)
3,017	Interest Paid	3,020
2,669	Cash (Inflow)/Outflow	2,624

Note 24 Cash Flow Statement – Investing Activities

2015/16 £'000		2016/17 £'000
12,968	Purchase of Property, Plant, Equipment, Investment Property and Intangible Assets	4,975
0	Other payments for investing activities	10
(3,071)	Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(3,529)
959	Purchase of Short-term and Long-term Investments	6,041
(1,566)	Other Receipts for Investing Activities	(3,586)
9,290	Cash (Inflow)/Outflow	3,911

Note 25 Cash Flow Statement – Financing Activities

2015/16 £'000		2016/17 £'000
2,974	Net Council Tax/NNDR Debtor and Creditors	(1,543)
2,974	Cash (Inflow)/Outflow	(1,543)

Note 26 Trading Operations

The Council's trading operations include Loughborough Market, Shepshed Market and Woodgate Chambers.

2015/16 £'000		2016/17 £'000
(474)	Income	(453)
401	Expenditure	406
(73)	(Surplus)/Deficit	(47)

Note 27 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.

2015/16 £'000		2016/17 £'000
345	Salaries/Allowances	342
8	Expenses	6
353	Total	348

Note 28 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 2015/16	Remuneration Band	Total Number of Employees 2016/17
5	£50,000 - £54,999	5
2	£55,000 - £59,999	2
1	£60,000 - £64,999	2
3	£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 2016/17.

Total Remuneration including Pension Contribution 2015/16 £	Post Holder Information (Post Title)	Salary, Fees and Allowances £	Expense Allowances £	Total Remuneration excluding Pension Contribution 2016/17 £	Employers Pension Contribution £	Total Remuneration including Pension Contribution 2016/17 £
149,741 95,427	Chief Executive Director of Neighbourhoods and Community Wellbeing	116,758 76,652	0 0	116,758 76,652	32,735 21,018	149,493 97,670
95,322	Director of Housing, Planning and Regeneration and Regulatory Services	76,598	0	76,598	21,018	97,616
95,344	Director of Corporate Services	76,624	0	76,624	21,018	97,642
435,834	Total	346,632	0	346,632	95,789	442,421

Note 29 Grant Income

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

2015/16 Restated £'000	Credited to Taxation and Non Specific Grant Income	2016/17 £'000
(9,268)	Council Tax Income	(9,836)
(4,091)	National Non Domestic Rates (NNDR)	(4,409)
(3,043)	Revenue Support Grant	(2,090)
(391)	Capital Grants and Contributions	(178)
(64)	Council Tax Freeze Grant	0
(3,788)	New Homes Bonus	(4,500)
(45)	Other Government Grants	88
653	NDR Adjustment Account	(91)
60	Council Tax Adjustment Account	(74)
(19,977)	Total Credited to Taxation and Non Specific Grant Income	(21,090)
	Benefit Grants Credited to Services	
(19,150)	Rent Allowance Subsidy	(18,879)
(11,695)	Rent Rebate Subsidy	(11,349)
(504)	Housing Benefit Administration Subsidy	(403)
	Other Grants Credited to Services	
(35)	DWP Universal Credit	(3)
(248)	Supporting People	(0)
(63)	Crime and Disorder Partnership	(55)
(1)	Local Partnership	(0)
(258)	Localisation of Council Tax	(260)
(144)	Leicestershire County Council Sports and Active Grant	(114)
(20)	Staying Healthy Grant	(3)
(899)	Capital Grants and Contributions	(2,630)
0	Local Plans	(76)
0	Syrian Vulnerable Person Resettlement Scheme	(50)
0	Rough Sleepers Grant	(37)
(12)	Arts Policy – Ladybird	(0)
(190)	Other Government Grants	(97)
(33,219)	Total Revenue Grants credited to Services	(33,956)

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:

31st March 2016 £'000	Capital Grants and Contributions Receipts in Advance	31st March 2017 £'000
(1,679)	S106 Developers' Contributions	(2,461)
(38)	Other Capital Grants and Contributions	(24)
(1,717)	Total	(2,485)

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:

Restated 31st March 2016 £'000	Revenue Grants and Contributions – Receipts in Advance	31st March 2017 £'000
(219)	S106 Developers' Contributions	(247)
(485)	Other Revenue Grants and Contributions	(392)
(704)	Total	(639)

Note 30 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.

2015/16 £'000		2016/17 £'000
55	Fees payable with regard to external audit services carried out by the appointed auditor	55
12	Fees payable for the certification of grant claims and returns for the year	10
3	Fees payable in respect of other services	4
70		69

Note 31 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. For 2016/17 financial year the definition of related parties has been updated to include entities which provide key management personnel services to 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 (e.g. council tax bills, housing benefits). Grants received from government departments and other grants received in advance are set out in Note 29.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 27. No members of the council or senior officers undertook any material related party transactions requiring disclosure during 2016/17.

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 in successive financial years.

Other Public Bodies

Local Government Pension Scheme are set out in Note 34.

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

Note 32 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.

Restated 2015/16 £'000		2016/17 £'000
81,173	Opening Capital Financing Requirement	81,336
163	Impairment charge for non-dwelling HRA assets chargeable to the Comprehensive Income and Expenditure Statement	236
	Capital Investment	
11,091	Property, Plant and Equipment	5,628
62	Intangible Assets	107
1,321	Revenue Expenditure Funded from Capital under Statute	3,518
	Sources of Finance	
(756)	Capital Receipts	(786)
(3,154)	Major Repairs Reserve	(1,488)
(1,364)	Government Grants and other Contributions	(2,921)
	Sums set aside from revenue:	
(7,200)	Direct Revenue Contributions	(4,058)
81,336	Closing Capital Financing Requirement	81,572
	Explanation of movements in year	
163	Impairment charge for non-dwelling HRA Assets chargeable to the Comprehensive Income and Expenditure Statement	236
163	Increase/(Decrease) in Capital Financing Requirement	236

Note 33 Termination Benefits

The Council agreed to terminate the contracts of seven employees in 2016/17, incurring liabilities totalling £40K, (six employees in 2015/16 £33K). None of these employees were Directors. Two officers were made redundant, one from Children Families and Partnerships and one from the Town Hall, capital pension costs of £11K for this officer are also included. Five officers received compensation payments, one from each of the following services; Audit and Risk, Insurance, Recreational Services, Town Hall and HRA Responsive Repairs.

Note 34 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 pension's 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.

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2015/16 £'000	Local Government Pension Scheme 2016/17 £'000
Current Service cost	3,305	2,823
Financing and Investment Income and Expenditure	2,412	1,931
Net Pensions Interest costs and Expected return on scheme assets		
Total Post Employment Benefit charge to the (Surplus)/ Deficit on the Provision of Services	5,717	4,754
Movement in Reserve Statement		
Reversal of net charges made to the (Surplus)/Deficit for the Provision of Services for post-employment benefits in accordance with the code	(2,722)	(1,565)
Actual amount charged against the General fund balance for pension in the year	2,995	3,189
Actuarial Gains and (Losses) in the year	22,569	(7,876)

The actuarial Gains/ (Losses) identified above are directly from the Leicestershire County Council Pension Valuation Report. However, there is a £831 reconciling item in 2016/17, being Charnwood Borough Council's lower 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 Council's obligation in respect of its defined benefits plan is as follows:

	2015/16 £'000	2016/17 £'000
Fair Value of Employer Assets	91,366	108,695
Present Value of Funded Liabilities	(145,412)	(172,155)
Net (Under)/Over funding in Funded Plans	(54,046)	(63,460)
Present Value of Unfunded Liabilities	(1,328)	(1,354)
Net Asset/(Liability) in Balance Sheet	(55,374)	(64,814)

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 2017 and this amounted to £64,814K. This is an increase of £9,440K on the position at 31st March 2016. 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.

31st March 2016	Financial Assumptions:		31st March 2017
% Per Annum			% Per Annum
2.2%	Rate of Inflation/Pension Increase Rate		2.4%
3.2%	Salary Increase Rate		3.4%
3.5%	Discount Rate		2.6%

Mortality Assumptions:	Males	Females
<u>Longevity at 65 for pensioners</u>		
Current Pensioners	22.1 years	24.3 years
Future Pensioners	23.8 years	26.2 years

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

Assets 2015/16 £'000	Obligations 2015/16 £'000	Net(Liability) /Asset 2015/16 £'000		Assets 2016/17 £'000	Obligations 2016/17 £'000	Net(Liability) /Asset 2016/17 £'000
91,844		91,844	Fair Value of employer assets Present value of funded liabilities Present value of unfunded liabilities	91,366		91,366
	(165,493)	(165,493)			(145,412)	(145,412)
	(1,566)	(1,566)			(1,328)	(1,328)
91,844	(167,059)	(75,215)	Opening Position as at 31st March	91,366	(146,740)	(55,374)
	(3,305)	(3,305)	Current Service Cost Past Service Cost (including Curtailments)		(2,816)	(2,816)
	0	0			(7)	(7)
0	(3,305)	(3,305)	Total Service Cost	0	(2,823)	(2,823)
2,921		2,921	Interest Income on plan assets	3,180		3,180
	(5,333)	(5,333)	Interest Cost on defined benefit obligation		(5,111)	(5,111)
2,921	(5,333)	(2,412)	Total Net Interest	3,180	(5,111)	(1,931)
2,921	(8,638)	(5,717)	Total Defined Benefit Cost Recognised in Profit or (Loss)	3,180	(7,934)	(4,754)
723	(723)	0	<u>Cash flows</u>			
2,885		2,885	Plan Participants Contributions	725	(725)	0
104		104	Employers Contributions	3,089		3,089
			Contributions in respect of unfunded benefits	101		101
(4,763)	4,763	0	Benefits paid	(4,696)	4,696	0
(104)	104	0	Unfunded Benefits Paid	(101)	101	0
(1,155)	4,144	2,989	Total Cash flows	(882)	4,072	3,190
93,610	(171,553)	(77,943)	Expected Closing Position	93,664	(150,602)	(56,938)
	0	0	<u>Remeasurements</u>			
	22,386	22,386	Changes in Demographic Assumptions		1,855	1,855
	2,427	2,427	Changes in financial assumptions		(29,927)	(29,927)
			Other experience		5,165	5,165
(2,244)		(2,244)	Return on assets excluding amounts included in net interest	15,031	0	15,031
(2,244)	24,813	22,569	Total Measurements recognised in Other Comprehensive Income	15,031	(22,907)	(7,876)
91,366	(146,740)	(55,374)	Total Expected Closing Position	108,695	(173,509)	(64,814)
91,366		91,366	Fair Value of employer assets	108,695		108,695
	(145,412)	(145,412)	Present value of funded liabilities		(172,155)	(172,155)
	(1,328)	(1,328)	Present value of unfunded liabilities		(1,354)	(1,354)
91,366	(146,740)	(55,374)	Closing Position	108,695	(173,509)	(64,814)

Value of Employers Assets	31st March 2016 £'000	% of Total Assets	31st March 2017 £'000	% of Total Assets
Equity Securities:				
Other	2,497	3%	2,808	3%
Debt Securities:				
UK Government	4,824	5%	9,361	9%
Other	3,761	4%	1,191	1%
Private Equity	3,508	4%	4,104	4%
Real Estate – UK Property	9,305	10%	8,734	8%
Investment Funds and Unit Trusts:				
Equities	44,823	49%	52,060	48%
Bonds	9,833	11%	9,747	9%
Hedge Funds	4,146	4%	3,649	3%
Commodities	1,964	2%	2,561	2%
Infrastructure	2,386	3%	4,865	4%
Other	2,527	3%	2,723	3%
Derivatives – Foreign Exchange	(34)	0%	(50)	0%
Cash and Cash Equivalents	1,826	2%	6,942	6%
Closing Balance at 31st March	91,366	100%	108,695	100%

Sensitivity Analysis	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
0.5% Decrease in Real Discount Rate	9%	16,122
0.5% Increase in the Salary Increase Rate	1%	2,313
0.5% Increase in the Pension Increase Rate	8%	13,574

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, i.e. 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	2016/17 £'000	2015/16 £'000	2014/15 £'000	2013/14 £'000	2012/13 £'000
Fair Value of Employer Assets	108,695	91,366	91,844	80,713	72,586
Present Value of Defined Benefit Obligation	(173,509)	(146,740)	(167,059)	(142,952)	(120,336)
Surplus/(Deficit)	(64,814)	(55,374)	(75,215)	(62,239)	(47,750)

The liabilities show the underlying commitments that the Council has, in the long run, to pay retirement benefits. The total liability of £64,814K 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 2018 will be approximately £3,142K (2016/17 are approximately £3,080K).

Note 35 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.

31st March 2016 £'000		31st March 2017 £'000
(9)	Van Nievelt Legacy – for Carillon Tower	(7)
(9)		(7)

Note 36 Contingent Liabilities and Contingent Assets

As at 31st March 2017 the Council had no contingent assets or liabilities.

Note 37 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 £12m.

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 2017 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:

31st March 2016		31st March 2017
£'000		£'000
790	Less than three months	944
33	Three to six months	58
7	Six months to one year	14
60	More than one year	10
890		1,026

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 two years. This lowers risk but 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 £25m, a 1% change in interest rate would equate to £250K 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 38 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.

Restated 2015/16		Note	2016/17
			£'000
	Expenditure		
5,000	Supervision and Management		4,898
4,841	Repairs and Maintenance		4,999
506	Rents, Rates, Taxes and other charges		518
1	Rent Rebates	2	1
(1,839)	Depreciation/Revaluation increase/Impairment of non-current assets	3	(53,215)
11	Debt management costs		11
281	Movement in the allowance for bad debts (not specified by the Code)		379
8,801	Total Expenditure		(42,409)
	Income		
(21,777)	Dwellings	1	(21,451)
(356)	Non-dwelling rents		(370)
(813)	Charges for Services and Facilities		(671)
(136)	Contributions towards expenditure		(147)
(108)	Other Income		(139)
(23,190)	Total Income		(22,778)
(14,389)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(65,187)
109	HRA services' share of Corporate and Democratic Core		104
(14,280)	Net Cost for HRA Services		(65,083)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(32)	Capital grants and contributions receivable		(24)
573	Loss on disposal of HRA non-current assets		406
(30)	Interest and investment income		(40)
2,780	Interest Payable		2,780
(10,989)	Net cost/(income) of HRA Services		(61,961)

Movement on the HRA Statement

Restated 2015/16 £'000		Note	2016/17 £'000
(1,003)	Balance on the HRA at the end of the previous year		(1,158)
(10,989)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement		(61,961)
10,240	Adjustments between accounting basis and funding basis under statute		59,124
(749)	Net (increase) or decrease before transfers to or from reserves		(2,837)
594	Transfers to/(from) reserves		3,374
(155)	(Increase) or decrease in year on the HRA Balance on the HRA at the end of the current year		537
(1,158)			(621)

Reconciling Items for the Statement of Movement on the HRA Balance

Restated 2015/16 £'000		Note	2016/17 £'000
6,659	Adjustments between accounting basis and funding basis under statute		3,645
(573)	Capital expenditure funded by the HRA		(406)
6	Loss on sale of HRA non-current assets		0
32	Accumulated Absences Account		24
3,963	Reversal of Capital Grants and Contributions		55,814
153	Reversal of Gain/(Loss) on Revaluation		47
10,240	Adjustment to recharges based on impairment of General Fund Asset		59,124
	Transfers (to) or from reserves		
(156)	HRA share of contributions to/(from) the Pension Reserve	8	94
750	Transfer to/(from) the Housing Finance Fund	9	3,280
594			3,374

Notes to the Housing Revenue Account

Note 1 Gross Rents

Gross rent due in the year, after allowance is made for empty properties, was £21,451K. The rent loss caused by empty properties was 2.19% for 2016/17 compared with 2.14% in 2015/16. The average rent for 2016/17 on a 52 week basis was £74.64 (2015/16 £75.20).

Rent Arrears

2015/16 £'000		2016/17 £'000
452	Arrears at 31st March:	
413	Current Tenants	391
1	Former Tenants	427
866	Garages and Shops	1
866		819
3.88%	Dwelling Arrears as % of gross debit	3.74%
52	Court Costs	78
147	Rent Write-off/irrecoverable	164
1	Rent Rebate Overpayment Write-off/irrecoverable	1
73	Rechargeable Repairs Write-off/irrecoverable	60
0	Leaseholder Charges Write-off/irrecoverable	1

A Provision for Bad Debts has been made in the accounts in accordance with the requirements of the CIPFA Code of Practice. 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 2016 £'000		31st March 2017 £'000
698	Rent	844
69	Overpaid Rent Rebate	66
53	Landlord Services rechargeable repairs	57
0	Leaseholder Charges	8
820		975

Note 2 Rent Rebates

As at 31st March 2017 the outstanding balance of overpayments was £66K compared with £69K at 31st March 2016. Recoveries from ongoing benefit relating to housing benefit overpayments prior to 1st April 2004 totalling £2K were debited back to the Housing Revenue Account in 2016/17 compared to £1K in 2015/16.

Note 3 Depreciation Charge and Capital Credit

Total Capital Financing Charges of £11K was debited to the HRA in 2016/17 in accordance with the Item 8 determinations for the year, compared with £11K in 2015/16. The Depreciation Charge is analysed below: -

Restatement 2015/16 £'000		2016/17 £'000
2,246	Depreciation:	2,787
30	Dwellings	32
4	Garages and Shops	5
8	Plant, Vehicles and Equipment	11
2,288	Intangibles	2,835
(4,127)	Net Revaluation increase of non-current assets	(56,050)
(1,839)		(53,215)

There were capital grants and contributions receivable totalling £24K.

Note 4 Housing Stock

The Council was responsible for managing 5,642 HRA dwellings as at 31st March 2017. 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 2016		Number of Dwellings 31st March 2017
2,727	Flats/Maisonettes	2,719
2,971	Houses/Bungalows	2,923
5,698		5,642

The change in stock can be summarised as follows:-

Number of Dwellings 2015/16		Number of Dwellings 2016/17
5,746	Stock at 1st April	5,698
4	Add: New Properties, Acquisitions and Appropriations	5
(52)	Less: Property Sales	(61)
5,698	Stock at 31st March	5,642

On 31st March 2017 there were 12 void properties withheld from letting (14 at 31st March 2016) for major refurbishment. Two HRA properties are being used as community centres on a temporary basis. The figure of 5,642 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 2016/17 (806 in 2015/16), 13 shops and 1 store in 2016/17 (13 shops and 1 store in 2015/16), that were non-dwelling assets.

Note 5 Balance Sheet Value of Council's Housing Stock

31st March 2016 £'000		31st March 2017 £'000
192,712	Dwellings	248,426
3,371	Other land and buildings	3,666
1,374	Garages	1,408
197,457	Shops and Store	253,500
	Net carrying amount at the end of year	

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

Vehicles Plant and Equipment

31st March 2016 £'000		31st March 2017 £'000
0	Balance at the start of the year	
37	Net carrying amounts	33
0	Additions: Purchases	15
(4)	Disposals	(29)
33	Amortisation	(5)
	Net carrying amount at the end of year	14

Intangibles

31st March 2016 £'000		31st March 2017 £'000
35	Balance at the start of the year	
0	Net carrying amounts	27
(8)	Additions: Purchases	35
27	Amortisation	(11)
	Net carrying amount at the end of year	51

Assets under construction

31st March 2016 £'000		31st March 2017 £'000
814 (814)	Balance at the start of the year	0
0	Asset Reclassification	0
	Net carrying amount at the end of year	0

Assets held for sale

31st March 2016 £'000		31st March 2017 £'000
53 0	Balance at the start of the year Asset Reclassification	53 (53)
53	Net carrying amount at the end of year	0

The Existing Use Value – Social Housing as at 1st April 2016 was £238,083K. The vacant possession value of dwellings as at 1st April 2016 was £566,755K. 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 £5,303K.

Capital expenditure is shown as follows:-

Restated 2015/16 £'000		2016/17 £'000
9,991		5,303
	Financed By:	
3,154	Major Repairs Reserve	1,488
32	Other Capital Contributions	24
6,659	Revenue Contributions	3,645
146	HRA Capital Receipts	146
9,991		5,303

Total capital receipts from the sale of HRA assets were £3,312K as follows:-

2015/16 £'000		2016/17 £'000
2,575	Council House Sales	3,250
(66)	Less: Administration costs	(78)
2,509	Net Council House Sales	3,172
51	Miscellaneous Capital Receipts	140
1	Mortgage Receipts	0
2,561		3,312

Note 7 Major Repairs Reserve

Restatement 2015/16 £'000		2016/17 £'000
(2,919)	Balance at 1st April	(2,053)
(2,288)	Transfer to Major Repairs Reserve	(2,835)
3,154	Capital Expenditure funded from Major Repairs Reserve	1,488
(2,053)	Balance at 31st March	(3,400)

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 2016/17 this represented a reduction of £94K to net cost of service compared to an increase of £156K in 2015/16.

Note 9 HRA Financing Fund

2015/16 £'000		2016/17 £'000
0	Opening Balance	(750)
(750)	Contribution to Financing Fund	(3,315)
0	Contribution from Financing Fund	35
(750)	Closing Balance	4,030

Collection Fund Statement 2016/17

Business Rates 2015/16 £'000	Council Tax 2015/16 £'000	Total 2015/16 £'000		Note	Business Rates 2016/17 £'000	Council Tax 2016/17 £'000	Total 2016/17 £'000
0 (44,067)	(79,815) 0	(79,815) (44,067)					
			Income				
			Council Tax Receivable	2	0	(84,326)	(84,326)
			Business Rates Receivable	3	(45,779)	0	(45,779)
					(45,779)	(84,326)	(130,105)
			Expenditure				
			Apportionment of Previous Year Surplus/(Deficit)				
1,307	0	1,307	Central Government		(429)	0	(429)
1,046	165	1,211	Charnwood Borough Council		(343)	150	(193)
235	991	1,226	Leicestershire County Council		(77)	920	843
0	165	165	Leicestershire Police and Crime Commissioner		0	153	153
26	55	81	Combined Fire Authority		(9)	52	43
2,614	1,376	3,990			(858)	1,275	417
			Precept, Demands and Shares				
21,625	0	21,625	Central Government	4	22,498	0	22,498
17,301	9,268	26,569	Charnwood Borough Council		17,998	9,836	27,834
3,893	56,692	60,585	Leicestershire County Council		4,050	60,360	64,410
0	9,412	9,412	Leicestershire Police and Crime Commissioner		0	9,828	9,828
433	3,160	3,593	Combined Fire Authority		450	3,299	3,749
43,252	78,532	121,784			44,996	83,323	128,319
			Charges to the Collection Fund				
303	398	701	Less Write Offs of Non-Collectable Amounts	7	291	373	664
(61)	(2)	(63)	Less Increase/(Decrease) In Bad Debt Provision	6	(50)	2	(48)
3,650	0	3,650	Less Increase/(Decrease) In Provision For Appeals		0	0	0
192	0	192	Less Cost of Collection		192	0	192
152	0	152	Less Disregarded Amounts		164	0	164
4,236	396	4,632			597	375	972
			(Surplus)/Deficit arising during the year				
6,035	489	6,524			(1,044)	647	(397)
(3,040)	(1,577)	(4,617)	(Surplus)/Deficit brought forward 1st April		2,995	(1,088)	1,907
2,995	(1,088)	1,907	(Surplus)/Deficit carried forward 31st March	8/9/11	1,951	(441)	1,510

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 2016/17 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 Up to and including £40,000	5/9	18.50	10.3
A	£40,001 - £52,000	6/9	10,083.75	6,722.5
B	£52,001 - £68,000	7/9	17,888.50	13913.3
C	£68,001 - £88,000	8/9	16,120.25	14329.1
D	£88,001 - £120,000	1	9,221.50	9,221.5
E	£120,001 - £160,000	11/9	5,938.75	7,258.5
F	£160,001 - £320,000	13/9	2,842.75	4,106.2
G	More than £320,000	15/9	1,773.25	2,955.4
H	Contributions in lieu Estimated growth in Band D equivalents	18/9	166.00	332.0 24.1 426.0
Total (Tax Base)				59,300.2

The gross tax base, 59,300.2 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 54,354.5. Finally an estimated collection rate of 98.5% for 2016/17 is then applied to the adjusted Band D figure producing a Council Tax Base of 53,538.8 which equates to £1,556.31 for a Band D property. This provides a total requirement of £83,323m.

The actual position is as follows:

2015/16 £'000		2016/17 £'000
90,846 (11,031)	Gross Council Tax due Relief, Exemptions and Transitional Relief Granted	95,860 (11,534)
79,815	Council Tax	84,326

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.

2015/16 £'000		2016/17 £'000
54,612 (10,446) (99)	Gross Non-Domestic Rates due Reliefs and Exemptions Transitional Protection Payment due to/(from) the Council	55,628 (9,767) (82)
44,067	Net Business Rates Receivable	45,779

The Government specifies an amount (49.7p in 2016/17 and 49.3p in 2015/16) 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 2017 was £116.06m (31st March 2016 £114.75m)

Note 4 Charnwood Borough Council Tax Precept

2015/16 £'000		2016/17 £'000
18,596	Charnwood Precept	17,697
2,791	Parish Precepts	2,936
(1,210)	Collection Fund Deficit/(Surplus)	193
20,177		20,826
(10,909)	RSG and NNDR Redistributed Pool	(10,990)
9,268		9,836

Note 5 Provision for Non-Payment

Council Tax

There is a cumulative provision held as at 31st March 2017 amounting to £1,727K for doubtful debts, including costs. (31st March 2016 £1,776K)

NNDR

There is a cumulative provision held as at 31st March 2017 amounting to £298k for doubtful debts, including costs. (31st March 2016 £348K)

Note 6 Contributions to Provision for Bad and Doubtful Debts

2015/16 £'000		2016/17 £'000
(2)	Council Tax	2
(61)	NNDR	(50)
(63)		(48)

Note 7 Write off of Bad Debts

2015/16 £'000		2016/17 £'000
398	Council Tax	373
303	NNDR	291
701		664

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

There was a Surplus balance on the Collection Fund at 31st March 2017 of £441K (Surplus 31st March 2016 £1,088K). This will be carried forward to 2017/18 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 £1,275K together with the Surplus brought forward of £1,088K and an increase in Bad Debt Provision of £2K - increase the in-year surplus of £630K to a surplus of £441K 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 2017/18 £'000	Amounts to account for in 2018/19 £'000	Total £'000
Leicestershire County Council	(301)	(19)	(320)
Leicestershire Police and Crime Commissioner	(49)	(3)	(52)
Charnwood Borough Council	(49)	(3)	(52)
Combined Fire Authority	(16)	(1)	(17)
Total Surplus	(415)	(26)	(441)

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 2016/17 accounts as follows:

In the Balance Sheet at 31st March 2017, the Council included an overall Surplus of £441K (31st March 2016 Surplus £1,088K) of which £389K relates to Preceptors Share of Surplus (31st March 2016 £960K – Preceptors share of Surplus) in the proportions shown below and the balance of £52K (31st March 2016 - £128K) relate to Charnwood Borough Council's share of the Collection Fund Surplus.

2015/16 £'000		2016/17 £'000
785	Leicestershire County Council	320
131	Leicestershire Police and Crime Commissioner	52
44	Leicestershire Combined Fire Authority	17
960	Total	389

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, i.e. 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.

2015/16 £'000		2016/17 £'000
1,198	Charnwood Borough Council	780
269	Leicestershire County Council	176
30	Leicestershire Combined Fire Authority	20
1,498	Central Government	975
2,995	Deficit/(Surplus) - Balance as at 31st March	1,951

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.

Net Non-Controllable Costs - are those amounts charged to the CIES as required by Statute, and reserved out as part of the Movement in Reserves Statement so that they are not charged to the taxpayer. These are items such as Depreciation, Revaluation of Fixed Assets, Pension valuation costs, Accumulated absences.

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

Draft 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 2017 on pages 9 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 2016/17.

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 2017 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 2016/17.

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' (CIPFA/SOLACE 2016 Edition); 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 its 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 2016, 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 2017.

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 2016, 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 2017.

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

31 Park Row

Nottingham

NG1 6FQ

ANNUAL GOVERNANCE STATEMENT 2016/17

Introduction

1. This is Charnwood Borough Council's Annual Governance Statement for 2016/17. It provides:
 - An acknowledgement of responsibility for the Council's system of governance;
 - A summary of the assessment of the effectiveness of the Council's governance arrangements;
 - An opinion on the level of assurance that the Council's governance arrangements can provide;
 - An action plan for 2017/18;
 - A summary of progress against actions raised in the previous year's Annual Governance Statement;
 - A statement on conformance with CIPFA's Statement on the Role of the Chief Finance Officer;
 - A conclusion.
2. The Annual Governance Statement will be published on the Council's website as part of the Council's statement of accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, and is compliant with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government 2016 Edition (the Framework).

Responsibility For The Governance Framework

3. 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.
4. 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.
5. The Council has approved and adopted a code of corporate governance, which was consistent with the principles of the previous CIPFA / SOLACE Framework. It has been reviewed and updated to ensure it is consistent with the updated 2016 Framework, and will be presented to the Audit Committee for approval at their meeting on 12 September 2017.

Review of the Effectiveness of the Governance Framework

6. 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.
7. A summary of the Council's governance framework is set out in the Annex to this statement. The Council considers that its corporate governance arrangements are effective and support

the delivery of the principles of good governance.

8. 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.
9. 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 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.
10. The Audit & Risk Manager (the Council's Head of Internal Audit) has produced an annual report for 2016/17 which concluded that the Council's overall framework of governance, risk management and internal control is adequate and effective.
11. Internal Audit did not identify any areas of limited assurance during the year.
12. 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.
13. 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.
14. 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.
15. 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.
16. The annual audit letter issued by KPMG LLP for 2015/16 did not identify any significant internal control issues.
17. The Council's Code of Corporate Governance has been reviewed and updated to ensure it is consistent with the updated CIPFA/SOLACE Framework, and will be presented to the Audit Committee for their approval.
18. In light of the tragic fire at Grenfell Tower in June 2017, the Council has reviewed its own situation and has confirmed that it does not own any high rise buildings, and although external wall insulation has been undertaken at some houses, the type of insulation and installation method is different to that used at Grenfell Tower.

Assurance Opinion

19. The Council considers that the governance arrangements in place during 2016/17 provided a

significant level of assurance, and continue to be fit for purpose.

Action Plan for 2017/18

20. The Council has reviewed and updated its Code of Corporate Governance to ensure it supports the core principles of good governance set out in the updated CIPFA/SOLACE Framework, and this will be presented to the Audit Committee for approval on 12 September 2017.

Progress against Actions Raised in the Previous Year's Annual Governance Statement

21. There were no actions arising from the previous year's Annual Governance Statement.

Conformance with the Governance Requirements of the CIPFA Statement On The Role Of The Chief Finance Officer

22. 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.
23. 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.
24. 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, being a member of the Institute of Chartered Accountants in England and Wales. The Deputy Section 151 Officer (who is the Council's Head of Finance and Property) is a member of the Chartered Institute of Public Finance and Accountancy. Both have significant experience in local government. In the view 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.
25. In the opinion of the Chief Financial Officer the authority's financial management arrangements conform to the requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*.

Conclusion

26. The Council is committed to the principles of sound and effective governance, and will continue to monitor implementation as part of the next annual review.

.....
.....
Geoff Parker
Chief Executive
Date:

Councillor David Slater
Leader of the Council
Date:

Summary of Charnwood Borough Council's Governance Framework Arrangements

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

- ◆ 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.
- ◆ 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.
- ◆ 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 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.
- ◆ 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.
- ◆ 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.

- ◆ 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. 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.
- ◆ 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.
- ◆ The scrutiny function consists of a Scrutiny Management Board, an Overview Scrutiny Group, a Policy Scrutiny Group, 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.



Mr T Crawley
KPMG LLP
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

12th September 2017

Southfield Road, Loughborough, Leicestershire.
LE11 2TR

Ask for: Simon Jackson, Strategic Director of
Corporate Services

Direct Line: 01509 634699
Email: Simon.Jackson@charnwood.gov.uk

My ref: SJ/LKT/Letterrep
Fax: 01509 263791

Dear Mr Crawley,

This representation letter is provided in connection with your audit of the financial statements of Charnwood Borough Council ("the Authority"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

- i. give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended; and



Telephone: 01509 263151 Email: information@charnwood.gov.uk

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- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) Allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and*

Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

10. The Authority confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 12 September 2017.

Yours faithfully,

Mr Bev Angell
Chair of the Audit Committee

Simon Jackson
Director of Corporate Services

Appendix to the Authority Representation Letter of Charnwood Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Expenditure and Funding Analysis
- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.