



# Oadby and Wigston Borough Council

## TO COUNCILLOR:

G S Atwal  
T Barr  
L A Bentley  
G A Boulter  
J W Boyce

L Darr  
B Dave  
Mrs L Eaton  
B Fahey  
D A Gamble (Vice-Chairman)

J Kaufman  
K J Loydall  
Mrs S B Morris (Chair)  
R E R Morris

Dear Sir/Madam,

I hereby summon you to attend a meeting of the **POLICY, FINANCE AND DEVELOPMENT COMMITTEE** to be held in the Council Offices, Station Road, Wigston on **TUESDAY, 22 SEPTEMBER 2015 at 7.00 pm** for the transaction of the business set out in the Agenda below.

Yours faithfully

Council Offices  
Wigston

Chief Executive

## AGENDA

Page No's

10. Statement of Accounts 2014/15

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<b>Policy, Finance &amp; Development Committee</b>	<b>22 September 2015</b>	<b>Matter for Information and Decision</b>
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**Title: Statement of Accounts 2014/15**

**Author: John Dickson, Chief Financial Officer and Section 151 Officer**

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## 1. Introduction

- 1.1 Under the terms of the Accounts and Audit Regulations (2011) each Local Authority is required to prepare a Statement of Accounts (the Statement) by 30 June following the end of the year to which they relate. This draft Statement is signed by the Section 151 Officer as being a “true and fair” representation of the Council’s financial performance during the year and of its financial position at the year end. This has been achieved for 2014/15 and the Statement of Accounts is attached to this report.
- 1.2 The Accounts and Audit Regulations also require that the Statement is approved by members and published by 30 September each year. Between June and September the Statement is subject to external audit and the auditors findings are outlined in their “Report to Those Charged with Governance (ISA (UK&I) 260)” which is the subject of another report to this Committee.
- 1.3 Following the completion of the External Audit, the Audit Commission require a “Letter of Representation” to be considered by members and signed by the Chief Financial Officer and the Chair of this Committee. The proposed letter is attached to this report.

## 2. Recommendations

- 2.1 That the Committee approve the Statement of Accounts for the year 2014/15.
- 2.2 That the Section 151 Officer has delegated authority to agree minor alterations to the statement as recommended by the Council’s auditor.
- 2.3 That the Committee approve the “Letter of Representation” to be signed by the Chief Financial Officer and the Chair of this committee following this meeting.

## 3. Information

- 3.1 The Statement has been prepared according to the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Statements have been prepared based on International Financial Reporting Standards (IFRS) following its introduction in 2010/11.
- 3.2 The Statement comprises the Main Financial Statements
  - o Statement of Movements in Reserves
  - o Comprehensive Income and Expenditure Statement

- o Balance Sheet
- o Cash Flow Statement
- o Notes to the Financial Statements

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

- o Housing Revenue Account
- o Collection Fund

3.3 There have been no major amendments to the Code for 2014/15 therefore the only notable items to bring to members attention are;

Item	Reason	Impact
Restatement of the 2013/14 Balance sheet where the Councils Liability in relation to Non Domestic Rate appeals has been moved to a provision in the Balance Sheet	As per the Code	No overall financial impact on the financial position of the Council.
Capital Expenditure in 2014/15 is higher than previous years as both the redevelopment of the Councils Leisure Centres as well as the Boulter Crescent Housing Estate.	As per the Capital Programme	This is an addition to note 6 in the notes to the core statements

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#### Background Papers:-

Implications	
Financial	The financial implications are contained within the body of this report.
Risk	No direct implications
Equalities	No direct implications
Legal	In accordance with the regulations the Council is obliged to provide such information at the yearend by 30 September 2015



# *Oadby and Wigston Borough Council*

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Please ask for: Mr John Dickson  
Extension: 621/Direct Line 2572621  
Our ref:  
Your ref:

Date: 22 September 2015

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Oadby and Wigston Borough Council ("the Authority"), for the year ended 31 March 2015, 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 2015 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 2014/15.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority 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.

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 regulation 8 of the Accounts and Audit (England) Regulations 2011, 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 2015 and of the Authority's expenditure and income for the year then ended;
  - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.



INVESTOR IN PEOPLE

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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.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

### Information provided

5. 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.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. 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.

8. 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.
9. 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.

10. 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*.
11. 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.
12. 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 Policy Development and Finance Committee on 22 September 2015.

Yours faithfully,

Chair of the Policy Development and Finance Committee

Chief Financial Officer



## Appendix to the Representation Letter of Oadby and Wigston Borough Council Definitions

### **Financial Statements**

A complete set of financial statements comprises:

- 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 local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

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 parties**

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, 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.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity;  
and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

### **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.





**Oadby and Wigston Borough Council**

# **Financial Report**

## **For The Year**

### **2014/2015**

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## INTRODUCTION

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As the Council's Chief Financial Officer, it is my pleasure to write this introduction to Oadby & Wigston's Statement of Accounts for 2014/15. I hope it helps to tell the story of how the Council's money became the services you received. It summarises what has been spent in 2014/15, and highlights specific issues regarding the Council's financial position at 31 March 2015. It goes without saying that 2014/15 continued to be set against a challenging economic background. The Council continues to feel the effects of the Government's plan to further reduce public expenditure, with further losses of income. Whilst these events have had a significant impact on the Council and the residents of the Borough, the strength of the Council's financial standing and our active budget management has assured a strong financial out-turn for the year without disruption to services or impact on council tax levels.

During 2010 the Government announced the results of its comprehensive spending review, which has led to a grant reduction of 8% for 2014/15 and a further 6% in 2015/16. These reductions in central funding, combined with falling income, have resulted in the Council having to significantly downsize the organisation and look for alternative service delivery models, such as shared services. To make matters worse, the Council does particularly badly in funding from the Government for the New Homes Bonus. The Council received less than all other Leicestershire Authorities and was the second lowest in all of England.

The Accounts of Oadby & Wigston Borough Council for the year ending 31 March 2015 are set out on the following pages. The various statements include, where relevant, comparative figures relating to the previous financial year and supporting notes. These Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting 2014/15.

The Council spends over £23m each year on your behalf, providing services for people in the Borough. Some 40% of the money used to pay for these services comes directly from you, in the council tax you pay to us, in the rents for housing and the charges we make for some of our services. Each year the Council is required to give the residents of Oadby and Wigston clear information about its activities and financial management, and this is set out in the main Statement of Accounts section and in the Explanatory Foreword.

Sound financial management is essential for the Council's wellbeing, and this Statement of Accounts outlines how the Council's finances have been managed on your behalf. Up until 2010 the Council underwent various inspections such as the Comprehensive Area Assessment and the Use of Resources Assessment. The Council performed well in these inspections. Following the Government's decision to abolish the Audit Commission these inspections no longer take place, but are instead replaced with more local arrangements to confirm strong governance, financial management and the organisation's performance. The latest Annual Governance Statement is presented within these pages in support of the Statement of Accounts.

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## INTRODUCTION

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The Council's overall financial position and financial strategies are continually revised and updated. The inter-relationship between the Council's revenue and capital accounts have become increasingly complex, and as a result, the Council have developed an overall Medium Term Financial Strategy integrating the General Fund, HRA and Capital Accounts, which seeks to strike a balance between limited resources and growing expenditure pressures.

The Council is committed to developing the strategy, alongside meeting the continuing demands of the Government's expanding efficiency agenda, to ensure a sustainable financial position, whilst addressing a range of spend pressures and continual service improvements.

As well as striking a balance between the needs of the Housing Revenue Account and the General Fund, in both areas the Council has sought to achieve savings and maximise resource deployment opportunities. To assist this, the Council continues to prioritise services in order to determine future resource allocations and growth. Following this exercise the Council has identified over £1.7m of savings over the last six years that has been used to help bridge the Council's budget gap and also to ensure the Council's budget remains in balance supported by a prudent level of reserves.

Revenue balances are planned to continue to be used in a phased and prudent way to bridge the gap between net expenditure and core resources over the medium term. During 2014/15 the Council spent £0.5m on the Decent Homes Programme for the Council's housing stock. In terms of General Fund capital investment the Council continues to face a turbulent period to identify sufficient funding to invest in the Borough's assets. However, in March 2014 the Council approved a £10m scheme for new leisure facilities in partnership with a private contractor.

The Council is working hard to ensure that borrowing remains at a prudent level, while implementing the recommendations of the asset review. In addition to borrowing, the Council also continues to work hard securing external funding to deliver schemes. 2012/13 saw the implementation of self-financing for the Housing Revenue Account. Following a one-off payment to the Treasury, funded by borrowing of £18m, the Council is now permitted to keep all of the net rental income generated by the Council's housing stock. This will not only allow existing houses to be maintained to a sustainable standard, but will also allow the construction of new Council homes for the Borough. The 2014/15 outturn ensured the sustainability of the Housing Revenue Account.

This Statement of Accounts is one of a number of publications providing information on the Council's finances and other activities. The Corporate Plan is currently being updated in light of the changing environment that the Council is presently operating in.

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## INTRODUCTION

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We also produce a wide range of other publications, which are available from the Council offices. You may also visit our website at [www.oadby-wigston.gov.uk](http://www.oadby-wigston.gov.uk) and specific financial publications and reports can be found on the Council's website.

Members of the public are welcome to attend Council and committee meetings. You may also raise local issues at the various Forums and consultation events held across the Borough. Information about meetings, agendas and copies of Council minutes are available from Council offices or by telephoning 0116 288 8961.

We will promote equality and equal opportunity access and participation for everyone, whatever their personal circumstances. We will allocate and spend money on services as fairly as possible according to the needs of the community. We will set out clear standards of services so that everyone knows what to expect.



John Dickson CPFA  
Interim Chief Financial Officer

Date: 22 September 2015

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## THE EXPLANATORY FOREWORD

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The purpose of this foreword is to provide an easily understandable guide to the most significant matters stated in the financial report.

### **Financial Statements 2014/15**

This Statement of Accounts (the accounts) summarises the financial position of Oadby and Wigston Borough Council for the year ended 31 March 2015. These accounts have been produced for the Council as a single entity. No group accounts are required.

The principles adopted in compiling the Statement of Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy (CIPFA) namely:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code);
- International Financial Reporting Standards (IFRS); and
- The Service Reporting Code of Practice (SeRCOP)

The pages, which follow, are the Council's Statement of Accounts for 2014/15 and comprise:-

- **Statement of Responsibilities**

This sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.

- **Accounting Policies Statement**

This explains the basis of the figures included in the accounts. The accounts can be properly appreciated only if the policies, accounting estimates and judgements, which have been followed in dealing with material items, are explained.

- **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into "Useable 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 or from Earmarked Reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

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## THE EXPLANATORY FOREWORD

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- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with International Finance Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

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 useable 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 are 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 of Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

- **Cash Flow Statement**

The Cash Flow Statement shows the change 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.

- **The Housing Revenue Account**

This reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account



## THE EXPLANATORY FOREWORD

Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement.

- **The Collection Fund**

Oadby and Wigston Borough Council acts as an agent in the collection of council tax and non domestic rates on behalf of other precepting authorities in Leicestershire and as such the Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and ratepayers and distribution to local authorities and the Government of council tax and non-domestic rates.

- **The Annual Governance Statement**

This statement summarises the systems and processes, cultures and values by which this Council is directed and controlled and through which it accounts to, engages with and where appropriate leads the community. It identifies any gaps or weaknesses and implements responding action plans.

### Financial Commentary

During 2014/15 the General Fund revenue account has been subject to regular monitoring through budget monitoring processes and reporting to committees. The year end net outturn position compared to budget is set out below:

	Original Budget 2014/15	Revised Budget 2014/15	Actual 2014/15	Variance Under /(Over) Spend 2014/15
	£000's	£000's	£000's	£000's
Policy, Finance and Development	2,631	2,416	1,953	463
Service Delivery	3,238	3,336	3,188	148
Development Control	502	743	577	166
Youth	14	18	10	8
Licensing and Regulatory	33	3	3	0
<b>Net Committee Expenditure</b>	<b>6,418</b>	<b>6,516</b>	<b>5,731</b>	<b>785</b>
Capital Financing	483	242	235	7
Transfer to/(from) Reserves	(300)	(248)	747	(995)
<b>Net Expenditure</b>	<b>6,601</b>	<b>6,510</b>	<b>6,713</b>	<b>(203)</b>
Financing	6,601	6,566	6,836	(270)
Transfer (from)/to Balances	0	56	123	67

The actual position for the year saw a contribution to the General Fund Balance of £123k. This was an increase of £67k from the revised budgeted increase of £56k. A further £400k was transferred from the General Fund

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## THE EXPLANATORY FOREWORD

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Reserve to the Budget Equilibrium Reserve, and £200K from the General Fund Reserve to the Change Management Reserve. A full report on the outturn position was presented to Policy, Finance and Development Committee on 21 July 2015.

The figures given above are reported on the same basis as the management accounts. These do not consider pure accounting entries that would have equal contra entries such as "Non Distributed Costs" that occur at year end and are part of the Comprehensive Income and Expenditure Statement. Additionally, the above statement only applies to the General Fund position. A full reconciliation of management information to the Statement of Accounts is included in note 30 (Amounts Reported for Resource Allocation Decisions).

### Major Changes in the Council's Assets and Liabilities

During 2014/15 the Council expended £6.748m (2013/14 £1.796m) on capital projects as shown below.

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
<b>Capital Expenditure</b>		
Service Delivery (Housing Related)		
Housing Revenue Account	2,531	646
General Fund	247	460
	2,778	1,106
Service Delivery	3,664	590
Policy Finance and Development	306	100
<b>Total</b>	<b>6,748</b>	<b>1,796</b>
 <b>Financed By</b>		
Capital Receipts	312	36
Government Grants	150	203
Loans	3,296	133
External Funding	130	274
Revenue & Reserves	663	512
Major Repairs Allowance	2,197	638
<b>Total</b>	<b>6,748</b>	<b>1,796</b>

The large increase in the Council's expenditure on capital projects in 2014/15 is attributable to the major refurbishment works being carried out on the Council's housing stock, and the reconstruction of the leisure facilities at Wigston Pool and Parklands.

In addition, the value of the Council's assets has been assessed at year end through an external valuation. The closing value of the Revaluation Reserve as at 31 March 2015 is £13.426m (£11.246m 2013/14).

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## THE EXPLANATORY FOREWORD

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### **Material Charges**

Any material items impacting the Comprehensive Income and Expenditure Statement and the Housing Revenue Account are separately disclosed to ensure transparency. For 2014/15 there are no material charges other than those disclosed in the Notes to the Core Financial Statements.

### **Pensions Liability**

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council – this is a defined benefit funded scheme, meaning the Council and employees pay contributions into a fund. Under IAS 19 the Council is required to account for its share of the schemes total liability. In this respect, the Council's liability to the fund has been included in the accounts in the sum of £24.677m as at 31 March 2015. This liability is matched by a corresponding reserve in the Balance Sheet which means it has no impact on the net worth of the Council. The value of the liability is assessed at each year end by an independent actuary to establish any changes in the market or the membership of the scheme that may impact the balance. The total liability has increased by £4.251m since the prior year due to these changes.

Further details on the pension schemes are set out in Note 36.

### **Accounting Policies**

The Council has reviewed its policy on componentisation following a full revaluation of its non-current assets. Guidelines have been set regarding which assets will be componentised and these are laid out fully in the Statement of Accounting Policies (Note 16).

### **Statutory Functions and Planned Future Developments**

There have been no changes in the statutory functions of the Council. The Council is still in the process of restructuring, however no core services have been removed during this process

The Council will continue to provide services on the basis of the following approved priorities:

- Protect the good quality, consistent, value for money front line services provided to residents, particularly weekly refuse and recycling collections.
- Enhance the green environment of the Borough so that residents are able to take full advantage of it.
- Revitalise the town centres through development and by retaining free shoppers parking.
- Work with the Police to create a safer Borough where people feel comfortable and at ease.
- Listen to and delegate more issues to the three town forums.

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## THE EXPLANATORY FOREWORD

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- Work smarter to deliver the efficiency savings required to meet the continuing budget cuts.
- Improve the health and wellbeing of the residents of the Borough.

The Council has approved a net General Fund revenue budget for 2015/16 of £6.469m and a total Capital Programme of £11.204m. The Housing Revenue Account budget is expected to be £1.346m in deficit in the forthcoming year, due to a programme of major capital refurbishment works funded from HRA revenues. This is in line with its approved business plan.

### **Borrowing Facilities**

The Council is able to raise finance for capital expenditure and operational requirements from a number of approved borrowing instruments. As part of its prudential indicators and treasury strategy the Council sets limitations on borrowing and sets strategic objectives, including the minimisation of the value and cost of external borrowing.

The Prudential Code sets the following indicators for external debt:

- The Authorised Limit - This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some head room for unexpected movements. This is the statutory limit under Section 3 (1) of the Local Government Act 2003.
- The Operational Boundary - This indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around the boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

The following table illustrates the limits and levels of borrowing as at 31 March 2015 as compared to the preceding year end.

	<u>2014/15</u> £000's	<u>2013/14</u> £000's
<b>Borrowing Limits</b>		
Authorised	<u>38,000</u>	<u>37,500</u>
Operational	<u>36,000</u>	<u>35,500</u>
<b>Other Resources</b>		
Long-term	19,114	19,117
Short-term	3	17
Bank Overdraft	84	356
	<u>19,201</u>	<u>19,490</u>

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## THE EXPLANATORY FOREWORD

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The Council has in place an overdraft facility with its bankers in the sum of £1.0m (2013/14 £1.0m).

The Council also utilises operating leases primarily in respect of operational vehicles and finance leasing relating to photocopying equipment. Leasing obligations are shown in note 29 to the core financial statements.

### Reserves and Balances

The following table sets out the resources available to the Council to meet its capital expenditure plans and other financial commitments as at 31 March.

	<u>2014/15</u> £000's	<u>2013/14</u> £000's
<b>Revenue Reserves</b>		
General Fund	1,014	891
Housing Revenue Account	2,723	1,897
<b>Other Resources</b>		
Useable Capital Receipts	579	705
Earmarked Reserves	4,802	5,551

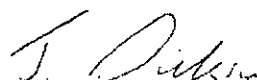
### Impact of the Current Economic Climate

2014/15 saw a continuation of the Government's austerity programme and with it a reduction in central government grants to fund Council services. This policy will continue after the 2015 General Election. Interest rates remained at an all time low of 0.5% throughout the financial year, which once again reduced income streams from investing the Council's cash balances.

Although the economic outlook improved nationally during the year the Council failed to keep income at the same levels as 2013/14 particularly in areas such as Development Control and Recycling Disposal. Council house sales remained at broadly the same level as the previous year.

2015/16 will see a further continuation of the current government policy with further reductions in future funding for 2016/17.

- Interest rates continue at a low level, with the current bank base rate set to remain at 0.5% throughout 2015/16.
- If the economic outlook continues to remain positive then services that reflect this such as planning application and building control services should continue to generate good levels of income.
- Council house sales through the Right to Buy Scheme should continue at a similar level to 2014/15.



**John Dickson CPFA**  
Chief Financial Officer

**Date: 22 September 2015**



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## THE STATEMENT OF ACCOUNTING POLICIES

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### 1. General

The Statement of Accounts (the accounts) summarise the Council's transactions for the 2014/15 financial year and its position at 31 March 2015. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), supported by International Financial Reporting Standards (IFRS). It also complies with guidance notes issued by CIPFA on the application of accounting standards to local Council accounts.

Because the Statement of Accounts is prepared under the Code this means that the relevant accounting policies adopted have been reviewed to ensure that the Statement of Accounts can be relied upon to give a true and fair view of the Council's financial performance and position. It also ensures that all legislative requirements have been correctly applied and that finally, the accounts have been prepared on a going concern basis. That is, the Council will continue in operational existence for the foreseeable future.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets, and the Statement of Accounts have been prepared with reference to the following fundamental qualitative characteristics:

- Understandability;
- Relevance;
- Materiality;
- Faithful Representation
- Completeness
- Neutrality
- Free from error

These accounts are presented in Sterling (£) as this is the most representative currency of the Council's operations, and rounded to the nearest thousand.

The preparation of accounts in accordance with the Code requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 2.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Code gives strict criteria for assets held as Investment Properties. For the Council, those assets which are held for rental, are classified as investment properties.
- All leases held by the Council have been reviewed in detail using the finance lease flowchart to determine whether they should be classified as a finance or operating lease. The results of this exercise has been reviewed to establish the substance of the transaction and its appropriate treatment.

### 3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### 4. Revenue Recognition

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

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## THE STATEMENT OF ACCOUNTING POLICIES

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Revenue from services is recognised as the services are provided.

The total consideration on arrangements with multiple revenue generating activities is allocated to those components that are capable of operating independently based on the estimated fair value of the components. When the fair value of components can not be assessed the revenue is spread over the term of the service.

Revenue arising from the provision of other services is recognised evenly over the periods in which the service is provided.

### **5. Segmental Reporting**

The Council's operating segments are organised into four committee areas; Service Delivery, Finance, Policy and Development, Development Control and Licensing and Children and Young Persons Services. The Council's operating segments were determined to be by committee because the chief operating decision-maker (deemed as the Management Team) primarily uses information on committees in order to make decisions about allocating resources and assessing performance.

Measurement of segmental income and expenses is in accordance with the Council's accounting policies. Shared costs are included in segments on the basis of the actual recharges made.

The Council does not report on segmental asset and liability internally, therefore it is not required to report segmental information on assets and liabilities.

### **6. Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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 inventory on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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## THE STATEMENT OF ACCOUNTING POLICIES

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- When income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Exceptions to this are:-
  - Telephone accounts are being charged to that year which has the majority of the quarter to which the rental or the charge relates as appropriate. This is rather than apportioning them between the financial years and as this policy is consistently applied each year it does not have a material effect on the year's accounts.
  - Insurance premiums are due on the 30 September each year and are charged to the year that the payment is made and not adjusted between the years.
  - Rentals and maintenance agreements are consistently charged to the year where the period starts and are not apportioned between the years.

Exceptions to the accruals principal are consistently applied each year and, therefore, do not have a material effect on the year's accounts.

### **7. Interest Income and Expenses**

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

Interest expenses on a qualifying asset is capitalised.

### **8. Exceptional Items**

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Council that are identified as exceptional items by virtue of their size, nature or incidence. Where these occur, they are separately disclosed in the accounts.

### **9. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP) 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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

An appropriate charge has been made from the General Fund to the Housing Revenue Account for Corporate and Democratic Core costs. This has been based on the proportion of committee time spent on Housing Revenue Account business.

### **10. 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 a reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contribution 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-ringfenced revenue grants and contributions 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.



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## THE STATEMENT OF ACCOUNTING POLICIES

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### **11. Revenue Expenditure Funded From Capital Under Statute**

Revenue expenditure funded from capital under statute results from expenditure of a capital nature where no fixed asset is created for the Council. They include private sector renewal grants and advances to other parties to finance capital investments.

This also includes exceptional revenue expenditure for which a capitalisation direction can be granted to allow this expenditure to be funded from capital. Capitalisation direction gives the Council the flexibility to treat specified revenue expenditure as capital expenditure, the Council has to meet strict criteria and should only be sought for costs which are due largely to factors beyond the control of the Council and are unavoidable.

The Council generally writes off revenue expenditure funded from capital under statute to revenue in the year in which it is created.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

### **12. VAT**

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.

### **13. Investment Properties**

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

Investment properties are measured at fair value, with gains and losses recognised in surplus or deficit within the Comprehensive Income and Expenditure Statement rather than through the Revaluation Reserve. Investment properties held at fair value are not depreciated.

Fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use which is market value. The fair value of investment property held under a lease is the lease interest.

### **14. Charges to Revenue for Non-current Assets**

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

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## THE STATEMENT OF ACCOUNTING POLICIES

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- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the services

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue (known as the Minimum Revenue Provision) to contribute towards the reduction in its overall borrowing requirement. For this year, in respect of debt that is supported by Revenue Support Grant (RSG), the provision is calculated using the Capital Financing Requirement (CFR) method. For new borrowing for which no Government support has been given and is therefore self-financed, the asset life method has been used for the 2014/15 accounts.

The CFR method calculates the provision as 4% of the non-housing supported CFR at the end of the preceding financial year (4% of the capital expenditure funded by supported borrowing).

The asset life method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

The annuity asset life method requires that the MRP for each year be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at a specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life of the asset. This results in an MRP charge that rises over time. This is deemed to be particularly appropriate for assets which generate increasing revenues over time.

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### **15. Intangible Fixed 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.

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## THE STATEMENT OF ACCOUNTING POLICIES

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### 16. Property, Plant and Equipment

Property, Plant and Equipment are non-current assets that have physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.

**Recognition:** Expenditure equal to or in excess of £3,000 (De minimis level) on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the Council for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

**Measurement:** Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Council Dwellings - Existing Use Value (Social Housing)
- Property, Plant and Equipment (Includes Other Land and Buildings, Vehicles, Plant and Equipment) – Depreciated Replacement Cost (As an approximation to Fair Value)
- Infrastructure Assets – Depreciated Historical Cost
- Community Assets – Historic Cost
- Investment Properties – Market Value (As an approximation to Fair Value)
- Assets Held for Sale – Market Value (As an approximation to Fair Value)

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

**Impairment:** the values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- 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 gains).

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## THE STATEMENT OF ACCOUNTING POLICIES

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- where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account

A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of deductions and allowances) is payable into a Government pool. The Council also retains an amount relating to the building of new houses in the One-for-One replacement agreement the Council has signed up to as well as Council House Buy-Back should these occur.

The balance of receipts received from disposals are credited to the Useable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

**Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Council dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer. Council dwellings are depreciated over a useful life of between 45 and 50 years.

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## THE STATEMENT OF ACCOUNTING POLICIES

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- Vehicles, plant and equipment – straight line allocation over the life of the asset as advised by a suitably qualified officer. The useful life of the plant, equipment and vehicles has fallen into a range of between 5 and 10 years.
  
- Although, in some cases, the useful life of the Council's operational buildings is likely to be greater than 20 years a prudent view has been adopted, depreciating the buildings over a period of between 5 and 20 years. An exception has been made for the new leisure facilities, which as new construction, are expected to last 40 years, and are of material value.
  
- Newly acquired or operational assets are depreciated for a full year in the first year, although assets in the course of construction are not depreciated until they are brought into use
  
- No depreciation is provided on assets in the year of disposal
  
- Depreciation is not charged on freehold land or investment properties.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on 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.

**Componentisation:** A component is a part of an asset, which has to be separately identified for the purposes of assisting more accurate financial reporting and asset management.

A component must have the following factors:

- A significantly different useful life from the parent asset
- A significantly different cost to the parent asset
- Provide an economic or service benefit to the Council's services, which is materially different to the rest of the asset.

The Council will recognise significant components of an item of property, plant and equipment where the assets value is greater than £1,000,000 and where the component is more than 25% of the total assets value.

Componentisation takes place at valuation, acquisition and enhancement of the parent asset.

The following assets have been componentised

- Wigston Swimming Pool

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## THE STATEMENT OF ACCOUNTING POLICIES

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- Oadby Swimming Pool
- Brocks Hill Visitors Centre
- Blaby Road Park

Council Dwellings are not componentised, other than the separation of the land value, as the internal components, individually, do not form a significant enough part of the value to be material. However where components are replaced the Council derecognises the replaced components in the accounts.

### **17. Heritage Assets**

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

Heritage assets are recognised where they meet this criteria and are valued in excess of the de-minimus threshold of £3,000. Heritage assets are measured in the Balance Sheet at insurance value which is based on market value. An impairment review will be carried out each year to assess any physical depletion of the assets. All heritage assets held by the Council are deemed to have indefinite lives and therefore are not depreciated. Any disposal of assets will be treated in the same manner as other Property, Plant and Equipment.

### **18. Inventories and Work in Progress**

Inventories are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

### **19. Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **20. Leases**

#### Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a

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## THE STATEMENT OF ACCOUNTING POLICIES

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tangible fixed asset – the liability is written down as the rent becomes payable) and

- A finance charge (debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

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

### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on an accruals basis.

### **21. Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up 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 be required, the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### **22. Employee Benefits**

#### Payable During Employment

Short-term employee benefits (those that fall wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits such as car loans for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against the service in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and flexi-time earned by employees but not taken before the



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## THE STATEMENT OF ACCOUNTING POLICIES

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year end and which employees can carry forward into the next financial year. The accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Unuseable Reserve – Accumulated Absence Account in the Movement in Reserves Statement.

### Termination Benefits

These are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service(s) within the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

### **23. Retirement Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council.

The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:-

- The liabilities of the pension scheme 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, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (A Corporate Bond yield curve is constructed based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology. The discount is set based on the employers own weighted average duration).

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## THE STATEMENT OF ACCOUNTING POLICIES

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- The assets of pension fund attributable to the Council are included in the Balance Sheet at their fair value:-
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
  
- The change in the net pensions liability is analysed into seven components:-
  - current service cost - the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for whom the employees worked.
  
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
  
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
  
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement.
  
  - contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

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## THE STATEMENT OF ACCOUNTING POLICIES

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In relation to retirement benefits statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

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

### **24. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

### **25. 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

Loans and receivables are initially measured at fair value and carried at their amortised cost. 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 and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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## THE STATEMENT OF ACCOUNTING POLICIES

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However, the Council has made a number of loans to employees as part of its assisted car purchase scheme at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from employees, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement on the General Fund Balance.

Where assets are identified as impaired because of the 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.

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

### Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. Where impairment losses have been incurred – these are also debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

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## THE STATEMENT OF ACCOUNTING POLICIES

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Where assets are identified as impaired because of the 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.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **26. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement on Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for Property, Plant and Equipment, retirement benefits and other items that do not represent useable resources for the Council. Full explanations are given within the Notes to the Core Financial Statements of the Capital Adjustment Account (Note 23), the Revaluation Reserve (Note 24) and the Pensions Fund Reserve (Note 25). Other than these the following unuseable reserves apply:

- Financial Instruments Adjustment Account – This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions (Note 43)
- Deferred Capital Receipts Reserve – This holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Useable Capital Receipts Reserve.
- Collection Fund Adjustment Account – This manages the difference arising from the recognition of council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

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## THE STATEMENT OF ACCOUNTING POLICIES

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- **Accumulated Absence Account** – This absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year such as leave carried forward at 31 March.

### **27. Contingencies**

Where a contingent loss can be accurately estimated and it is probable that a future event will confirm a material loss, it will be accrued in the financial statements. In the case of contingent liabilities that cannot be accurately estimated or where it is not certain that a future event will confirm a material loss, no accrual is made but details are set out in a disclosure note. In accordance with the concept of prudence, contingent gains are not allowed in the accounting statements.

### **28. Related Party Transactions**

Material related party relationships and transactions, outstanding balances between the Council and its related parties are disclosed within a note to the Statement of Accounts (Note 33).

### **29. Events after the Reporting Period**

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

An adjustment is made to the Statement of Accounts where events provide evidence of conditions that existed at the end of the reporting. Where events are only indicative of conditions, no adjustment is made but a disclosure is made where the impact is deemed to be material.

### **30. Collection Fund**

The Council acts as an agent collecting council tax on behalf of the major preceptors and itself. Consequently, council tax transactions and balances are allocated to this Council and the other major preceptors. This results in the Comprehensive Income and Expenditure Statement showing the accrued amounts payable with an adjustment in the Movement in Reserves Statement on the General Fund Balance to reflect statutory requirements. The Balance Sheet shows debtors or creditors for the amounts receivable or payable to the major preceptors and this Council.

In the case of National Non-domestic Rates (NNDR), the Council again acts as agents collecting the income for major preceptors including Central Government. This results in the Comprehensive Income and Expenditure Statement showing the accrued amounts payable with an adjustment in the

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## THE STATEMENT OF ACCOUNTING POLICIES

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Movement in Reserves Statement on the General Fund Balance to reflect statutory requirements. The Balance Sheet shows debtors or creditors for the amounts receivable or payable to the major preceptors and this Council. "Tariff" expenditure included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued expenditure.



## The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable 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. This is 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/from 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.

	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unuseable Reserves	Total Authority Reserves
Note	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 1 April 2014</b>	<b>891</b>	<b>3</b>	<b>1,897</b>	<b>5,551</b>	<b>705</b>	<b>30</b>	<b>9,077</b>	<b>20,258</b>	<b>29,335</b>
<b>Movement in Reserves during 2014/15</b>									
Deficit on the provision of services	(2,555)	0	(658)	0	0	0	(3,213)	0	(3,213)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(553)	(553)
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,555)</b>	<b>0</b>	<b>(658)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,213)</b>	<b>(553)</b>	<b>(3,766)</b>
Adjustments between accounting basis & funding basis under regulations	4 3,429	0	1,841	(1,857)	(126)	0	3,287	(3,287)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>874</b>	<b>0</b>	<b>1,183</b>	<b>(1,857)</b>	<b>(126)</b>	<b>0</b>	<b>74</b>	<b>(3,840)</b>	<b>(3,766)</b>
Transfers (to)/from Earmarked Reserves	5 (751)	0	(357)	1,108	0	0	0	0	0
<b>Increase/(Decrease) in 2014/15</b>	<b>123</b>	<b>0</b>	<b>826</b>	<b>(749)</b>	<b>(126)</b>	<b>0</b>	<b>74</b>	<b>(3,840)</b>	<b>(3,766)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>1,014</b>	<b>3</b>	<b>2,723</b>	<b>4,802</b>	<b>579</b>	<b>30</b>	<b>9,151</b>	<b>16,418</b>	<b>25,569</b>

## The Movement in Reserves Statement

	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 1 April 2013</b>	730	3	1,027	3,874	455	30	6,119	21,137	27,256
<b>Movement in Reserves during 2013/14</b>									
Deficit on the provision of services	(165)	0	1,173	0	0	0	1,008	0	1,008
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	1,071	1,071
<b>Total Comprehensive Income and Expenditure</b>	(165)	0	1,173	0	0	0	1,008	1,071	2,079
Adjustments between accounting basis & funding basis under regulations	4 1,940	0	152	(392)	250	0	1,950	(1,950)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	1,775	0	1,325	(392)	250	0	2,958	(879)	2,079
Transfers (to)/from Earmarked Reserves	5 (1,614)	0	(455)	2,069	0	0	0	0	0
<b>Increase/(Decrease) in 2013/14</b>	161	0	870	1,677	250	0	2,958	(879)	2,079
<b>Balance at 31 March 2014 carried forward</b>	891	3	1,897	5,551	705	30	9,077	20,258	29,335

Signature



Date: 22 September 2015

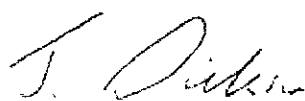
John Dickson CPFA, Chief Financial Officer

## THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2014/15			2013/14		
	Gross	Gross	Net	Gross	Gross	Net
	Expend	Income	Expend	Expend	Income	Expend
Note	£000's	£000's	£000's	£000's	£000's	£000's
<b>EXPENDITURE ON SERVICES</b>						
Central Services to the Public	1,113	(397)	716	1,111	(547)	564
Cultural and Related Services	1,951	(368)	1,583	2,479	(355)	2,124
Environmental and Regulatory Services	2,984	(968)	2,016	3,136	(2,284)	852
Planning Services	1,257	(272)	985	1,004	(308)	696
Highways and Transport Services	199	(33)	166	201	(37)	164
Other Housing Services	10,508	(9,918)	590	10,689	(9,884)	805
Local Authority Housing (HRA)	4,444	(5,171)	(727)	3,026	(4,958)	(1,932)
Corporate and Democratic Core	1,397	(226)	1,171	1,665	(191)	1,474
Non Distributed Costs	91	(59)	32	58	(58)	0
<b>Net Cost of Services</b>	<b>23,944</b>	<b>(17,412)</b>	<b>6,532</b>	<b>23,369</b>	<b>(18,622)</b>	<b>4,747</b>
Other Operating Expenditure	7		2,003			86
Financing and Investment Income	8		1,392			1,295
Taxation and Non-specific Grant Income and Expenditure	9		<u>(6,714)</u>			<u>(7,136)</u>
<b>(Surplus) or Deficit on Provision of Services</b>			<b>3,213</b>			<b>(1,008)</b>
(Surplus)/Deficit arising on Revaluation of Plant, Property and Equipment Assets	24		<b>(2,837)</b>			<b>(3,827)</b>
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	25		<u>3,390</u>			<u>2,756</u>
<b>Other Comprehensive Income and Expenditure</b>			<u>553</u>			<u>(1,071)</u>
<b>Total Comprehensive Income and Expenditure</b>			<u><b>3,766</b></u>			<u><b>(2,079)</b></u>

Signature



Date 22 September 2015

John Dickson CPFA, Chief Financial Officer

## THE BALANCE SHEET

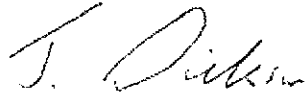
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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".

		As At 31/03/2015 £000's	Restated As At 31/03/2014 £000's
Property, Plant & Equipment	10	66,294	62,615
Heritage Assets	11	40	40
Investment Property	12	223	206
Intangible Assets	13	136	127
Long Term Debtors	14	27	31
Long Term Investments	15	0	2
<b>Long Term Assets</b>		<b>66,720</b>	<b>63,021</b>
Short Term Debtors	14	1,803	1,418
Short Term Investments	15	4,018	6,014
Inventories	17	76	63
Cash and Cash Equivalents	18	1,408	2,170
<b>Current Assets</b>		<b>7,305</b>	<b>9,665</b>
Short Term Borrowing		(3)	(17)
Bank Overdrawn	18	(84)	(356)
Short Term Creditors	19	(3,229)	(2,296)
Short Term Provisions	20	(361)	(226)
<b>Current Liabilities</b>		<b>(3,677)</b>	<b>(2,895)</b>
Long Term Creditors		(33)	(47)
Long Term Borrowing		(19,114)	(19,117)
Other Long Term Liabilities	36	(24,677)	(20,426)
Capital Grants Receipts in Advance	21	(955)	(866)
<b>Long Term Liabilities</b>		<b>(44,779)</b>	<b>(40,456)</b>
<b>Net Assets</b>		<b>25,569</b>	<b>29,335</b>

## THE BALANCE SHEET

		As At 31/03/2015	Restated As At 31/03/2014
	Note	£000's	£000's
<b>Usable Reserves</b>	22	9,151	9,077
<b>Unusable Reserves</b>			
Capital Adjustment Account	23	28,024	29,557
Revaluation Reserve	24	13,425	11,246
Pension Fund Reserve	25	(24,677)	(20,426)
Financial Instrument Adjustment Account		(7)	(7)
Collection Fund Adjustment Account	22	(312)	(60)
Accumulated Staff Absences Reserve	22	(35)	(52)
<b>Total Reserves</b>		<u>25,569</u>	<u>29,335</u>

Signature



Date 22 September 2015

John Dickson CPFA  
Chief Financial Officer

## THE CASH FLOW STATEMENT

The Cash Flow Statement shows the change in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

	2014/15	2013/14
Note	<u>£000's</u>	<u>£000's</u>
<b>Net (Surplus) or Deficit on the Provision of Services</b>	<b>3,213</b>	<b>(1,008)</b>
<b>Adjustments to the Net Surplus or Deficit of the Provision of Services for Non Cash Movement</b>		
Depreciation and Impairment of Non-current Assets	(3,090)	(2,156)
Increase/(Decrease) in Inventories	13	(3)
Increase/(Decrease) in Debtors	381	(150)
(Increase)/Decrease in Creditors	(1,335)	(122)
Net Charges made for Retirement Benefits	(861)	(748)
Carrying Amount of Non Current Assets Sold	(252)	(346)
Carrying Amount of Non Current Assets De-recognised	(1,942)	(30)
(Increase)/Decrease in Provisions	(135)	(103)
Other Cash and Non Cash Movements	(3)	(2)
increase/(decrease) in the value of soft loans in year	0	2
	<u>(7,224)</u>	<u>(3,658)</u>
<b>Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities</b>	<b>(315)</b>	<b>74</b>
Interest Received in Year	(55)	(57)
Interest Paid in Year	577	617
<b>Net Cashflows from Operating Activities</b>	<b>(3,804)</b>	<b>(4,032)</b>
<b>Investing Activities</b>	<b>26</b>	<b>358</b>
<b>Financing Activities</b>	<b>27</b>	<b>2,564</b>
<b>Net Increase or (Decrease) in Cash or Cash Equivalents</b>	<b><u>490</u></b>	<b><u>(1,110)</u></b>
Cash or Cash Equivalents at the Beginning of the Reporting Period	(1,814)	(704)
Cash or Cash Equivalents at the End of the Reporting Period	18 <u>(1,324)</u>	<u>(1,814)</u>
<b>Movement in Cash and Cash Equivalents</b>	<b><u>490</u></b>	<b><u>(1,110)</u></b>

## **1. Accounting Standards Issued but not Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2015. If these had been adopted for the financial year 2014/15 there would be no material changes as detailed below.

**IFRS 13 Fair Value Measurement.** This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

**IFRIC 21 Levies.** This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

**Annual Improvements to IFRSs (2011 – 2013 Cycle).** These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

## **2. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	<p>Depreciation and amortisation are provided for Property, Plant and Equipment and intangible assets respectively. This enables the assets to be written down over their estimated useful lives and show an appropriate cost of the asset in the Comprehensive Income and Expenditure Statement. Management judgement based on independent external advice is used to determine the useful economic lives of the Council's property.</p> <p>Property Plant and Equipment are reviewed for both economic and price impairment on an annual basis. As at 31March each year the Council's valuers carry out a valuation review of the Council's assets. In addition, a year end impairment review is also undertaken. The recoverable amount is then estimated having regard to the application of the concept of materiality</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £36k on General Fund Property and £27k on Housing Revenue Account property for every year that the useful life is reduced.</p> <p>If an asset is impaired the carrying amount of the asset is reduced.</p>



## NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are made by actuaries appointed by Leicestershire County Council who administer the pension fund.</p>	<p>The effect on net pensions of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>• A decrease in the discount rate assumption would result in an increase in pension liability.</li> <li>• A one year increase in member life expectancy would result in an increase in pension liability.</li> <li>• An increase in the pension increase rate would result in an increase in pension liability.</li> </ul>
Arrears	<p>At 31 March 2015, the Council had a balance of £0.33m for sundry debtors. A review of balances suggested that an impairment of doubtful debts of £0.15m was appropriate.</p>	<p>If collection rates were to deteriorate and sundry debt increased with the same debt profile, an additional contribution would be required to be set aside as an allowance.</p>

### 3. Events after the Reporting Period

There are no adjusting or non-adjusting events after the reporting period. However the Chancellor announced in his 2015 summer budget his intention that rents in social housing are to be reduced by 1% a year from April 2016 for the next four years. The Council will need to consider the impact that the proposed rent reductions may have on its Housing Revenue Account and consider whether revisions to its HRA plan are needed.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves						Movement in Unusable Reserves £000's
	General Fund Balance £000's	Deferred Capital Receipts £000's	Housing Revenue Account £000's	Earmarked Reserves £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	
848	0	2,166	0	0	0	0	(3,014)
60	0	16	0	0	0	0	(76)
446	0	0	0	0	0	0	(446)
1,328	0	866	0	0	0	0	(2,194)
(238)	0	0	0	0	0	0	238
0	0	(174)	0	0	0	0	174
0	0	0	(489)	0	0	0	489

#### Adjustment primarily involving the Capital Adjustment Account:

- Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:
- Depreciation and impairment of non-current Assets
- Amortisation of Intangible Assets
- Revenue expenditure funded from capital under statute
- 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
- Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:
- Statutory provision for the financing of capital investment
- Capital Expenditure charged against General Fund and HRA Balances
- Capital Expenditure charged against Earmarked Reserves

## NOTES TO THE CORE FINANCIAL STATEMENTS

General Fund Balance	Usable Reserves					Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserve	Capital Receipts Reserve		
(130)	0	0	0	0	0	0	130

### Adjustments primarily involving the Capital Grants Unapplied Account:

Application of grants to capital financing transferred to Capital Adjustment Account

### Adjustments primarily involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  
 Use of the Capital Receipts Reserve to finance new capital expenditure  
 Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal  
 Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool

### Adjustments involving the Major Repairs Reserve:

Reversal of Major Repairs Allowance credited to the HRA

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	Usable Reserves					Movement in Unusable Reserves £000's
	General Fund Balance £000's	Deferred Capital Receipts £000's	Housing Revenue Account £000's	Earmarked Reserves £000's	Capital Receipts Reserve £000's	
1,482	0	221	0	0	0	(1,703)
(733)	0	(110)	0	0	0	843
252	0	0	0	0	0	(252)
(13)	0	(4)	0	0	0	17
<b>3,429</b>	<b>0</b>	<b>1,841</b>	<b>(1,857)</b>	<b>(126)</b>	<b>0</b>	<b>3,287</b>

**Adjustments involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement

Employer's pension contributions and direct payments to pensioners payable in the year

**Adjustments involving the Collection Fund Adjustment**

**Account:**

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

**Adjustments involving the Accumulated Absences**

**Account:**

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirement

**Total Adjustments**

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2013/14 Comparative Figures

	Usable Reserves					Movement in Unusable Reserves £000's
	General Fund Balance £000's	Deferred Capital Receipts £000's	Housing Revenue Account £000's	Earmarked Reserves £000's	Capital Receipts Reserve £000's	
	1,203	0	853	0	0	(2,056)
	97	0	4	0	0	(101)
	272	0	0	0	0	(272)
	10	0	366	0	0	(376)
	(234)	0	0	0	0	234
	0	0	(8)	0	0	8
	0	0	0	(504)	0	504
	(286)	0	0	0	0	286

### Adjustment primarily involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Depreciation and impairment of non-current Assets  
 Amortisation of Intangible Assets  
 Revenue expenditure funded from capital under statute  
 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

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory provision for the financing of capital investment  
 Capital expenditure charged against the General Fund and HRA balances

Capital Expenditure charged against Earmarked Reserves  
**Adjustments primarily involving the Capital Grants Unapplied Account:**

Application of grants to capital financing transferred to the Capital Adjustment Account

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**2013/14 Comparative Figures**

	Usable Reserves					Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve			
	0	0	(414)	0	414	0	0	0
	0	0	0	0	(36)	0	0	36
	4	0	0	0	(4)	0	0	0
	124	0	0	0	(124)	0	0	0
	0	0	(750)	750	0	0	0	0
	0	0	0	(638)	0	0	0	638
	(2)	0	0	0	0	0	0	2

**Adjustments primarily involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Use of the Capital Receipts Reserve to finance new capital expenditure

Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool

**Adjustments involving the Major Repairs Reserve:**

Reversal of Major Repairs Allowance credited to the HRA

Use of the Major Repairs Reserve to finance new capital expenditure

**Adjustments involving the Financial Instruments Adjustment Account:**

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2013/14 Comparative Figures

	Usable Reserves					Movement in Unusable Reserves £000's	
	General Fund Balance £000's	Deferred Capital Receipts £000's	Housing Revenue Account £000's	Earmarked Reserves £000's	Capital Receipts Reserve £000's		Capital Grants Unapplied Reserves £000's
Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,354	0	202	0	0	0	(1,556)
Employer's pension contributions and direct payments to pensioners payable in the year	(702)	0	(105)	0	0	0	807
Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	92	0	0	0	0	0	(92)
Adjustments involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirement	8	0	4	0	0	0	(12)
<b>Total Adjustments</b>	<b>1,940</b>	<b>0</b>	<b>152</b>	<b>(392)</b>	<b>250</b>	<b>0</b>	<b>1,950</b>

**Adjustments involving the Pensions Reserve:**  
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement  
Employer's pension contributions and direct payments to pensioners payable in the year

**Adjustments involving the Collection Fund Adjustment Account:**  
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

**Adjustments involving the Accumulated Absences Account:**  
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirement

### Total Adjustments

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15. In addition where the Council has received grants with conditions attached to them they are transferred to a specific earmarked reserve.

	2013/14			2014/15				
	Balance	Transfer	(To)/From	Balance	Transfer	(To)/From		Balance
	31 March	In/(Out)	Other	31 March	In/(Out)	Other		31 March
	2013	Fund	Reserves	2014	Fund	Reserves		2015
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
<b>General Fund Earmarked Reserves</b>								
Budget Carried Forward	56	(26)	0	30	76	0	106	
Capital	14	10	0	24	11	(30)	5	
Software Implementation	42	0	(34)	8	0	(2)	6	
Operations	30	0	0	30	0	0	30	
Plant and Machinery	77	0	(15)	62	0	(32)	30	
Service Improvement	50	0	0	50	0	(26)	24	
Council Priority	73	0	0	73	0	0	73	
Welfare Reform	75	0	0	75	0	0	75	
Troubled Families	47	(23)	0	24	0	0	24	
Disabled Facilities	275	0	(268)	7	0	(7)	0	
ERDF Schemes	150	0	0	150	0	(133)	17	
Greening the Borough	184	0	0	184	(1)	0	183	
Active Asset Management	350	0	0	350	0	(50)	300	
Contingency	200	0	0	200	0	0	200	
Management of Change	300	0	0	300	200	(55)	445	
Weekly Collection Support Scheme	122	1,235	(187)	1,170	0	(179)	991	
Budget Equilibrium	0	200	0	200	400	0	600	
Income Profiling	0	150	0	150		0	150	
Land Valuation	0	0	0	0	(2)	25	23	
HR Recruitment	0	0	0	0	20	0	20	
<b>Total General Fund Earmarked Reserves</b>	<b>2,045</b>	<b>1,546</b>	<b>(504)</b>	<b>3,087</b>	<b>704</b>	<b>(489)</b>	<b>3,302</b>	



## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14			2014/15			
	Balance 31 March 2013 £000's	Transfer In/(Out) Fund £000's	(To)/From Other Reserves £000's	Balance 31 March 2014 £000's	Transfer In/(Out) Fund £000's	(To)/From Other Reserves £000's	
<b>General Fund Grants</b>							
Grounds Maintenance	234	0	0	234	0	0	234
Housing and Planning Delivery Grant	193	(17)	0	176	36	0	212
Earmarked Grants	457	85	0	542	10	0	552
<b>Total General Fund Grants</b>	<b>884</b>	<b>68</b>	<b>0</b>	<b>952</b>	<b>46</b>	<b>0</b>	<b>998</b>
<b>Total General Fund</b>	<b>2,929</b>	<b>1,614</b>	<b>(504)</b>	<b>4,039</b>	<b>751</b>	<b>(489)</b>	<b>4,300</b>
<b>HRA</b>							
Regeneration Reserve	500	0	0	500	0	0	500
Major Repairs Reserve	445	455	112	1,012	357	(1,369)	0
<b>Total HRA</b>	<b>945</b>	<b>455</b>	<b>112</b>	<b>1,512</b>	<b>357</b>	<b>(1,369)</b>	<b>500</b>
<b>Grand Total</b>	<b>3,874</b>	<b>2,069</b>	<b>(392)</b>	<b>5,551</b>	<b>1,108</b>	<b>(1,858)</b>	<b>4,801</b>

### Purpose of Reserves

Details of the purpose of reserves not given elsewhere in either the Notes to the Core Financial Statements or the Statement of Accounting Policies are shown below.

Housing and Planning Delivery Grant	Contains the remaining proceeds of this Central Government funding for future housing and planning projects.
Earmarked Revenue Grants and Contributions	Reserves containing the proceeds of revenue grants and other external contributions that have not yet been used.
Budget Carried Forward	Contains authorised budget carry forwards from the year to be used in the next financial year.
Capital	Monies put aside specifically for use to fund capital projects.
Software Implementation	Monies put aside specifically for funding ICT software improvements.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Operations Reserve	This reserve is provided as insurance against potential fluctuations in market pricing on the sale of recyclates.
Plant and Machinery	Used to fund the purchase of replacement plant and machinery.
Service Improvement Reserve	Used to fund improvements in Council services to improve performance after corporate restructure and reductions in commensurate budgets
Council Priority Reserve	Funding from New Homes Bonus to be used to fund the improvement of area which are specific Council priorities in areas where developments take place.
Grounds Maintenance Reserve	This reserve holds a commuted lump sum received from a developer earmarked for the maintenance of a specific green space.
Major Repairs Reserve	Resources available to meet capital investment in council housing.
Welfare Reform	Monies set aside to cover the additional costs of administration and recovery following the introduction of the local Council Tax Benefit scheme and Universal Credit.
Troubled Families	Used to fund investment in the Leicestershire Troubled Families programme.
Disabled Facilities	Monies put aside specifically to fund Disabled Facilities Grants.
ERDF	Monies put aside specifically to provide matched funding for European Regional Development Fund schemes.
Greening the Borough	Resources available to improve the environment of the Borough and well-being of residents.
Active Asset Management	Funding for developing Business Enterprise Centres in the Borough.
Weekly Collection Support Scheme	Funding towards the retention of weekly waste collection, recycling rewards and innovation schemes.
Regeneration Reserve	Additional reserve set aside for regeneration and new build of council housing.
Contingency Reserve	To safeguard against budget risk and for one off

## NOTES TO THE CORE FINANCIAL STATEMENTS

	priming initiatives.
Management of Change	For future organisational development expenditure.
Income Profiling Reserve	To safeguard against the volatility of planning income in future years
Budget Equilibrium Reserve	To safeguard against changes in Council funding.
Land Valuation Reserve	To allow the Council to value land within the Borough with a view to selling.
HR Recruitment Reserve	To fund Council recruitment as required.

### 6. Material Items of Income and Expenditure

For 2014/15 the Council has the following material items of income and expenditure for both capital and revenue.

The Council paid out £6.5m in Housing Benefits during 2014/15 and a further £2.9m in Rent Rebates. The Government Subsidy received to fund these is not listed here but is included in Note 37 to the core statements.

The Council also undertook two major capital schemes spending £2.9m on redeveloping its leisure facilities and £1.9m on the refurbishment of Boulter Crescent, within the Council's housing stock.

### 7. Other Operating Expenditure

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
(Gains)/Loss on Disposal of Non-current Assets	(60)	(68)
Loss on De-recognition of Fixed Assets *	1,942	30
Contribution to Housing Pooled Capital Receipts	<u>121</u>	<u>124</u>
<b>Total</b>	<u><u>2,003</u></u>	<u><u>86</u></u>

\* De-recognition relates to components of various housing assets which have been replaced and therefore de-recognised in year, and to the demolition of Wigston Swimming Pool.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 8. Financing and Investment Income and Expenditure

	<u>2014/15</u>	<u>2013/14</u> Restated
	£000's	£000's
Interest Payable and Similar Charges	574	594
Interest and Investment Income	(59)	(58)
Pension Interest Costs and Expected Return on Pension Assets	877	759
<b>Total</b>	<u>1,392</u>	<u>1,295</u>

### 9. Taxation and Non Specific Grant Income and Expenditure

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
General Government Grants	(1,677)	(2,063)
Council Tax Income	(3,289)	(3,326)
Collection Fund (Surplus)/Deficit - Council Tax	(88)	(17)
Non-domestic Rates Income	(4,471)	(4,367)
Collection Fund (Surplus)/Deficit - NNDR	95	0
Non-domestic Rates Tariff Payment	3,446	3,380
Non-domestic Rates Safety Net	(83)	(61)
LLP Share of Surplus (Pool)	0	(10)
S31 Small Business Rate Relief	(274)	(198)
Capital Grants and Contributions	(130)	(286)
New Homes Bonus	(243)	(188)
<b>Total</b>	<u>(6,714)</u>	<u>(7,136)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. Property, Plant and Equipment

#### Cost or Valuation

	Council Dwellings	Other Land & Buildings	Vehicles, plant etc.	Community Assets	Assets Under Construction	Total Assets
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 1 April 2013</b>	<b>38,675</b>	<b>17,850</b>	<b>3,219</b>	<b>2,686</b>	<b>0</b>	<b>62,430</b>
Additions	638	88	296	335	0	1,357
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	2,860	386	0	(61)	0	3,185
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(740)	(140)	0	(282)	0	(1,162)
Derecognition - Disposals	(366)	0	(10)	0	0	(376)
Derecognition - Other	0	0	(31)	0	0	(31)
<b>Balance at 31 March 2014</b>	<b>41,067</b>	<b>18,184</b>	<b>3,474</b>	<b>2,678</b>	<b>0</b>	<b>65,403</b>
<b>Balance at 1 April 2014</b>	<b>41,067</b>	<b>18,184</b>	<b>3,474</b>	<b>2,678</b>	<b>0</b>	<b>65,403</b>
Additions	2,322	1,513	544	69	1,619	6,067
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	1,732	1,021	0	66	0	2,819
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(2,041)	(663)	0	(9)	0	(2,713)
Derecognition - Disposals	(312)	(1,328)	0	0	0	(1,640)
Derecognition - Other	(614)	0	0	0	0	(614)
<b>Balance at 31 March 2015</b>	<b>42,154</b>	<b>18,727</b>	<b>4,018</b>	<b>2,804</b>	<b>1,619</b>	<b>69,322</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings	Other Land & Buildings	Vehicles, plant etc.	Community Assets	Assets Under Construction	Total Assets
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 1 April 2013</b>	0	0	2,569	0	0	2,569
Depreciation Charge	690	671	250	19	0	1,630
Depreciation Written Out to the Revaluation Reserve	(690)	(671)	0	(19)	0	(1,380)
Derecognition-Disposals	0	0	(31)	0	0	(31)
Derecognitions-Other	0	0	0	0	0	0
<b>Balance at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>2,788</b>	<b>0</b>	<b>0</b>	<b>2,788</b>
<b>Balance at 1 April 2014</b>	<b>0</b>	<b>0</b>	<b>2,788</b>	<b>0</b>	<b>0</b>	<b>2,788</b>
Depreciation Charge	749	601	240	9	0	1,599
Depreciation Written Out to the Revaluation Reserve	(749)	(601)	0	(9)	0	(1,359)
Derecognition-Disposals	0	0	0	0	0	0
<b>Balance at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>3,028</b>	<b>0</b>	<b>0</b>	<b>3,028</b>

	2014/15			2013/14		
	Net Book Value	Nature of Asset Holding		Net Book Value	Nature of Asset Holding	
	£000's	Finance Lease £000's	Owned £000's	£000's	Finance Lease £000's	Owned £000's
Council Dwellings	42,154	0	42,154	41,067	0	41,067
Other Land & Buildings	18,727	0	18,727	18,184	0	18,184
Community Assets	2,804	0	2,804	2,678	0	2,678
Vehicles, Plant etc	990	40	950	686	53	633
Incomplete Assets	1,619	0	1,619	0	0	0
<b>Total</b>	<b>66,294</b>	<b>40</b>	<b>66,254</b>	<b>62,615</b>	<b>53</b>	<b>62,562</b>

### Depreciation

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

- i) Council Dwellings - 45 to 50 Years
- ii) Other land and buildings - 5 to 40 years
- iii) Vehicles Plant and Equipment - 5 to 10 years

### Capital Commitments

At the 31<sup>st</sup> of March 2015, the Council had outstanding capital commitments of £6.72m relating to the contract for the new leisure facilities, £1.93m in relation to HRA major refurbishment works at Boulter Crescent, and £0.333m in relation to HRA major refurbishment works at King Street.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Valuation of Assets

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31 March 2015 by an external independent valuer, Innes England, in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS), except that not all the properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purposes of the valuation. Consequently, Council Dwellings were valued using the "Beacon Principle". Inspections to determine the Beacon properties were carried out between February and April 2010.

Land and Community Assets have been valued using the depreciated replacement cost valuation method on an existing use value basis which is the amount the property would be exchanged for on the date of the valuation.

Plant and machinery directly associated with the building is generally included in the valuation of the buildings. However where in conjunction with the valuer it is found that a building has plant of which the value forms a significant part of the building and which needs to be depreciated at a different rate from the building then this has been dealt with as a separate item.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost.

Where an impairment loss on an operational fixed asset occurs this has been recognised, if it is caused by a clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset), or a significant decline in the market value of assets that is significantly greater than would be expected as a result of the passage of time or normal use.

In order to judge impairment of Council Dwellings, a rolling stock condition survey is being carried out. Any assets that are considered to have suffered any impairment are referred to the Council's independent valuer for assessment. To date no impairment relating to obsolescence has been recognised although some assets have suffered a reduction in value due to market forces.

### **11. Heritage Assets**

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

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
<b>Balance at 1 April</b>	<b>40</b>	40
Additions	0	0
<b>Balance at 31 March</b>	<b>40</b>	40

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 12. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Rental Income from Investment Property	(16)	(16)
Direct Operating Expenses Arising from Investment Property	0	0
<b>Net Gain/(Loss)</b>	<u>(16)</u>	<u>(16)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

2014/15 has seen an increase of £17,000 in the value of the Council's investment properties.

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
<b>Balance at 1 April</b>	<b>206</b>	206
Revaluations	17	2
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(2)
<b>Balance at 31 March</b>	<u><b>223</b></u>	<u>206</u>

### 13. Intangible Assets

The Council accounts for its software and licenses 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.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all the major software suites used by the Council is 5 years.

Amortisation of the assets is charged to the ICT support service and then recharged to services on an appropriate basis under Net Cost of Services within the Comprehensive Income and Expenditure Statement.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Cost or Valuation of Software

	2014/15	2013/14
	£000's	£000's
Balance at 1 April	688	647
Additions	85	41
<b>Balance at 31 March</b>	<b>773</b>	<b>688</b>

### Depreciation and Impairment of Software

	2014/15	2013/14
	£000's	£000's
Balance at 1 April	561	460
Amortisation for the Year	76	101
<b>Balance at 31 March</b>	<b>637</b>	<b>561</b>

### Net Book Value

	Balance as at 31 March 2015	Balance as at 31 March 2014
	£000's	£000's
Software	136	127

## 14. Debtors

Amounts falling due in one year are:

	2014/15	2013/14
	£000's	£000's
Central Government Bodies	566	248
Other Local Authorities	262	187
Other Entities and Individuals	975	983
<b>Total</b>	<b>1,803</b>	<b>1,244</b>

Amounts falling due after one year are:

	2014/15	2013/14
	£000's	£000's
Voluntary Organisation Loans	3	2
Car Loans to Employees	24	29
Other Long Term Debtors	0	0
	27	31

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. Investments

The Council's investments are detailed below.

	2014/15	2013/14
	£000's	£000's
Long Term Investments (Greater than 1 year)	0	2
Short Term Investments (Less than 1 year)	4,018	6,014
	4,018	6,016

### 16. Asset Held for Sale

No assets were held for sale in 2014/15.

### 17. Inventories

	Consumable Stores		Maintenance Materials		Recyclates		Total	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance Outstanding at Start of Year	15	16	15	11	33	38	63	65
Purchases	185	224	32	31	297	385	514	640
Recognised as an Expense in the Year	(184)	(225)	(22)	(27)	(295)	(390)	(501)	(642)
Balance Outstanding at End of Year	16	15	25	15	35	33	76	63

There is no write down of Inventory as most items are consumables.

### 18. Cash and Cash Equivalent and Bank Overdrawn

<b>Cash and Cash Equivalents</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
	£000's	£000's
Short-term Deposits	1,408	2,170
<b>Bank Overdrawn</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
	£000's	£000's
Cash Held by the Authority	4	4
Bank Current Accounts	(88)	(360)
	(84)	(356)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Cash and cash equivalents consist of short-term bank deposits and money market funds.

Short-term bank deposits consist primarily of money market deposits, which can be readily converted to cash at short notice. The effective interest rate on short-term bank deposits at 31 March 2015 was 0.50% (0.50% as at 31 March 2014).

The Council has an unsecured bank overdraft facility of £1 million.

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value.

### 19. Short Term Creditors

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Central Government Bodies	413	187
Other Local Authorities	36	405
Other Entities and Individuals	2,780	1,704
<b>Total</b>	<u><u>3,229</u></u>	<u><u>2,296</u></u>

### 20. Provisions

	<u>Termination Payments 2014/15</u>	<u>Accumulated Absence 2014/15</u>	<u>Insurance Arrangement 2014/15</u>	<u>NNDR Appeals 2014/15</u>	<u>Total 2014/15</u>
	£000's	£000's	£000's	£000's	£000's
<b>Balance B/Fwd</b>	0	52	0	174	226
Arising during the year		35		194	229
Used during the year		(52)		(42)	(94)
<b>Balance C/Fwd</b>	<u>0</u>	<u>35</u>	<u>0</u>	<u>326</u>	<u>361</u>
<b>Current Provision</b>	<u>0</u>	<u>35</u>	<u>0</u>	<u>326</u>	<u>361</u>
	<u>0</u>	<u>35</u>	<u>0</u>	<u>326</u>	<u>361</u>
<b>Expected Timing of Cash Flows:</b>					
To 31 March 2016	<u>0</u>	<u>35</u>	<u>0</u>	<u>326</u>	<u>361</u>
<b>Total</b>	<u><u>0</u></u>	<u><u>35</u></u>	<u><u>0</u></u>	<u><u>326</u></u>	<u><u>361</u></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Restated	Termination Payments 2013/14	Accumulated Absence 2013/14	Insurance Arrangement 2013/14	NNDR Appeals 2013/14	Total 2013/14
	£000's	£000's	£000's	£000's	£000's
Balance B/Fwd	40	39	45	0	124
Arising during the year		52	0	174	226
Used during the year	(40)	(39)	(45)	0	(124)
Balance C/Fwd	<u>0</u>	<u>52</u>	<u>0</u>	<u>174</u>	<u>226</u>
Current Provision	<u>0</u>	<u>52</u>	<u>0</u>	<u>174</u>	<u>226</u>
	<u>0</u>	<u>52</u>	<u>0</u>	<u>174</u>	<u>226</u>

### Expected Timing of Cash Flows:

To 31st March 2015	<u>0</u>	<u>52</u>	<u>0</u>	<u>174</u>	<u>226</u>
Total	<u>0</u>	<u>52</u>	<u>0</u>	<u>174</u>	<u>226</u>

An accumulated absence provision was made for the best estimate of the unavoidable cost associated with holiday pay. This provision is expected to be used by the end of next period as no holiday pay can be carried forward for more than 1 year.

A provision has been set up to fund appeals against rateable values for business within the borough. This will be utilised as appeals are settled.

Provisions for termination payments and the insurance arrangement were set up in 2012/13 and fully utilised in 2013/14.

### 21. Capital Grants and Contributions - Receipts in Advance

	<u>2014/15</u>	<u>2013/14</u>
	£ 000's	£ 000's
<b>Grants and Contributions</b>		
Big Lottery Grant - Toy library	5	5
Big Lottery Grant - Mobile library	1	1
Section 106 South Wigston Regeneration	10	10
South Wigston Regeneration - Interest	306	306
Section 106 - Open Space	621	527
Green Roof Bus Shelter	6	6
Brocks Hill Alarm	1	0
DECC Grant	5	11
<b>Total</b>	<u>955</u>	<u>866</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. Movements on Reserves

	Balance At March 2013 <u>£000's</u>	Net Movement in Year <u>£000's</u>	Balance At 31st March 2014 <u>£000's</u>	Net Movement in Year <u>£000's</u>	Balance At 31st March 2015 <u>£000's</u>
<b>Earmarked Reserves (Note 5)</b>	(3,874)	(1,677)	(5,551)	749	(4,802)
<b>Other Usable Reserves</b>					
Usable Capital Receipts Reserve	(455)	(250)	(705)	126	(579)
Capital Grants Unapplied Reserve	(30)	0	(30)	0	(30)
Deferred Capital Receipts - General Fund	(3)	0	(3)	0	(3)
General Fund	(730)	(161)	(891)	(123)	(1,014)
Housing Revenue Account	(1,027)	(870)	(1,897)	(826)	(2,723)
	<u>(6,119)</u>	<u>(2,958)</u>	<u>(9,077)</u>	<u>(74)</u>	<u>(9,151)</u>

	Balance At 31 March 2013 <u>£000's</u>	Net Movement in Year <u>£000's</u>	Balance At 31 March 2014 <u>£000's</u>	Net Movement in Year <u>£000's</u>	Balance At 31 March 2015 <u>£000's</u>
<b>Unusable Reserves</b>					
Collection Fund Adjustment Account	(32)	92	60	252	312
Pensions Reserve	16,921	3,505	20,426	4,251	24,677
Revaluation Reserve	(8,062)	(3,184)	(11,246)	(2,179)	(13,425)
Capital Adjustment Account	(30,013)	456	(29,557)	1,533	(28,024)
Financial Instruments Adjustment Account	10	(3)	7	0	7
Accumulated Absences Reserve	38	14	52	(17)	35
	<u>(21,138)</u>	<u>880</u>	<u>(20,258)</u>	<u>3,840</u>	<u>(16,418)</u>
<b>Total</b>	<u>(27,257)</u>	<u>(2,078)</u>	<u>(29,335)</u>	<u>3,766</u>	<u>(25,569)</u>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Purpose of Reserves

Details of the purpose of reserves not given elsewhere in either the Notes to the Core Financial Statements or the Statement of Accounting Policies are shown below.

Useable Capital Receipts	Proceeds of fixed asset sales available to meet future capital investment
Capital Grants Unapplied	Reserve contains capital grants for which all conditions of use have been fulfilled but have yet to be used for funding.
Deferred Capital Receipts	Proceeds of fixed asset sales which are not receivable immediately on sale.
General Fund	Resources available to meet future running costs for non-housing services
Housing Revenue Account	Resources available to meet future running costs for council houses
Financial Instruments Adjustment Account	Accounts for the timing differences in the different methods of accounting for Financial Instruments
Accumulated Staff Absence	The Authorities obligation to staff for leave earned but not taken at the end of the financial year.

### **23. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>2014/15</u> £000's	<u>2013/14</u> £000's
<b>Balance as at 1 April</b>	<b>29,557</b>	<b>30,013</b>
<b>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and impairment of non-current assets	(3,014)	(2,054)
Amortisation of intangible assets	(76)	(102)
Revenue expenditure funded from capital under statute	(446)	(272)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,194)	(376)
	<u>(5,730)</u>	<u>(2,804)</u>
Adjusting amounts written out of the Revaluation Reserve	657	643
<b>Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year</b>	<b>24,484</b>	<b>27,852</b>
<b>Capital financing applied in the year</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	312	36
Use of Major Repairs Reserve to finance new capital expenditure	2,197	638
Application of grants to capital financing from the Capital Grants Unapplied Account and other Reserves	619	789
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	238	234
Capital expenditure charged against the General Fund and HRA balances	174	8
	<u>3,540</u>	<u>1,705</u>
<b>Balance 31 March</b>	<b>28,024</b>	<b>29,557</b>

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

### 24. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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 1 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
<b>Balance as at 1 April</b>	<b>11,246</b>	8,062
Upward revaluation of assets	2,989	3,925
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(152)	(98)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>2,837</b>	3,827
Amount written off to the Capital Adjustment Account	(657)	(643)
<b>Balance 31 March</b>	<b>13,426</b>	<b>11,246</b>

### 25. Pensions Fund Reserve

The Pension Reserve absorbs the timing differences arising from the different 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.

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
<b>Balance at 1 April</b>	<b>20,426</b>	16,921
Transfer to Pension Reserve	(4)	(38)
Remeasurements of the net defined benefit liability/(asset)	3,394	2,794
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	1,704	1,556
Employer's Pension Contributions and direct payments to the pensioners payable in the year.	(843)	(807)
<b>Balance at 31 March</b>	<b>24,677</b>	20,426



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. Cash Flow Statement - Investing Activities

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000's</b>	<b>£000's</b>
Purchase of Property Plant and Equipment	6,153	1,399
Proceed of the Sale of Property Plant and Equipment	(312)	(414)
Other Receipts from Investing Activities	(225)	(127)
Net Change in Investments	(2,000)	(500)
Total Investing Activities	3,616	358

### 27. Cash Flow Statement - Financing Activities

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000's</b>	<b>£000's</b>
Cash Receipts from Long and Short Term Borrowing	0	2,500
Repayments of Short Term and Long Term Borrowing	11	16
Appropriation to/from the Collection Fund Adjustment Account.	252	93
Other Payments for Financing Activities	415	(45)
Total Financing Activities	678	2,564

### 28. Net Movement in Liquid Resources

The Council seeks to maximise return on short term cash surpluses by the use of money market deposits.

	<b>As at 31st March 2015</b>	<b>As at 31st March 2014</b>	<b>Increase/ (Decrease) in Year</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Money Market	5,408	8,170	(2,762)
Short Term Deposits	5,408	8,170	(2,762)

The Council collects Council Tax and Non Domestic Rates on behalf of its Precepting Authorities and the Government. At the end of the year the difference between money collected and paid over is shown as an increase or decrease in liquid resources.

	<b>As At 31/03/2015</b>	<b>As At 31/03/2014</b>
	<b>£000's</b>	<b>£000's</b>
<b>Net Movement in other Liquid Resources</b>	<b>415</b>	<b>297</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. Operating and Finance Leases

#### Operating Lease

During the year the Council made payments on operating leases as detailed below.

2014/15			2013/14
Vehicles £000's	Other Equipment £000's	Total £000's	Total £000's
132	8	140	172

At 31 March 2015 the Council had commitments in respect of operating leases for future years as shown below.

As at 31st March 2015

	Vehicles £000's	Other Equipment £000's	Total £000's
Less than 1 year	90	5	95
Between 1 and 5 years	97	0	97
<b>Total</b>	<b>187</b>	<b>5</b>	<b>192</b>

As at 31st March 2014

	Vehicles £000's	Other Equipment £000's	Total £000's
Less than 1 year	117	8	125
Between 1 and 5 years	111	5	116
<b>Total</b>	<b>228</b>	<b>13</b>	<b>241</b>

#### Finance Leases

During 2014/15 the Council held photocopying equipment under a finance lease. This is carried as Property, Plant and Equipment in the Balance Sheet at a net amount of £40,160 at 31 March 2015 (£53,547 as at 31 March 2014).

The Council is committed to making minimum lease payments as shown below.

<b>Minimum Lease Payments</b>	2014/15 £000's	2013/14 £000's
<b>Amounts Payable under Finance Leases</b>		
Within One Year	16	16
Between One and Five Years	40	56
Less Future Finance Charges	(9)	(11)
<b>Present Value of Minimum Lease Payments</b>	<b>47</b>	<b>61</b>
<b>Included in:</b>		
Current Liabilities	14	14
Non-current Liabilities	33	47
<b>Total</b>	<b>47</b>	<b>61</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The total future minimum lease payments amount to £55,662 which includes future rental cost of £46,854 at 31 March 2015.

### 30. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice.

However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across committees, the operating segments. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- No charges are made for any eventual impairment or revaluation of assets as these are only realised at the end of the financial year.
- Only revenue grants matched by expenditure are included.

These reports are presented to the Council's Management Team who are defined as the chief operating decision maker on the basis that it allocates resources and assesses the performance of the operating segments.

The income and expenditure of the Council's committees recorded in the budget reports for the year is as follows:

	Develop- ment Control	Service Delivery	Policy, Finance & Development	Youth & Licensing	Total
	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Income	(246)	(6,080)	(810)	(83)	(7,219)
Government Grants	0	(203)	(9,541)	0	(9,744)
<b>Total Income</b>	<b>(246)</b>	<b>(6,283)</b>	<b>(10,351)</b>	<b>(83)</b>	<b>(16,963)</b>
Employee Expenses	489	3,085	1,681	42	5,297
Support Service Recharges	145	403	493	38	1,079
Depreciation	0	2,168	0	0	2,168
Other Service Expenses	189	3,815	10,130	16	14,150
<b>Total Expenditure</b>	<b>823</b>	<b>9,471</b>	<b>12,304</b>	<b>96</b>	<b>22,694</b>
<b>Net Expenditure</b>	<b>577</b>	<b>3,188</b>	<b>1,953</b>	<b>13</b>	<b>5,731</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 Comparative Figures	Develop- ment Control	Service Delivery	Policy, Finance & Development	Youth & Licensing	Total
	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Income	(293)	(6,054)	(792)	(87)	(7,226)
Government Grants	(7)	(1,615)	(9,657)	0	(11,279)
<b>Total Income</b>	<b>(300)</b>	<b>(7,669)</b>	<b>(10,449)</b>	<b>(87)</b>	<b>(18,505)</b>
Employee Expenses	529	3,103	1,977	57	5,666
Support Service Recharges	122	330	586	44	1,082
Depreciation	1	1,524	193	0	1,718
Other Service Expenses	77	4,149	10,032	16	14,274
<b>Total Expenditure</b>	<b>729</b>	<b>9,106</b>	<b>12,788</b>	<b>117</b>	<b>22,740</b>
<b>Net Expenditure</b>	<b>429</b>	<b>1,437</b>	<b>2,339</b>	<b>30</b>	<b>4,235</b>

### Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £000's	2013/14 £000's
Net expenditure in the Committee Analysis	5,731	4,235
Amounts in the Comprehensive Income and Expenditure Statement not Reported to Management in the Analysis	801	512
Cost of Services in Comprehensive Income and Expenditure Statement	<b>6,532</b>	<b>4,747</b>

### Reconciliation to Subjective Analysis

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Committee Analysis	Amounts not Reported to Management for Decision Making	Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(7,219)	0	(7,219)	0	(7,219)
Interest and Investment Income	0	0	0	(59)	(59)
Income from Collection Fund	0	0	0	(3,083)	(3,083)
Government Grants and Contributions	(9,744)	41	(9,703)	(3,631)	(13,334)
<b>Total Income</b>	<b>(16,963)</b>	<b>41</b>	<b>(16,922)</b>	<b>(6,773)</b>	<b>(23,695)</b>
Employee Expenses	5,297	0	5,297	0	5,297
Support Service Recharges	1,079	0	1,079	0	1,079
Non Distributed Costs	0	0	0	0	0
Depreciation, Amortisation and Impairment	2,168	760	2,928	0	2,928
Interest Payments	0	0	0	574	574
Payments to Housing Capital Receipts Pool	0	0	0	121	121
Other Service Expenses	14,150	0	14,150	0	14,150
Pension Interest Costs and Return on Pension Assets	0	0	0	877	877
Gain or Loss on Disposal of Fixed Assets	0	0	0	1,882	1,882
<b>Total Expenditure</b>	<b>22,694</b>	<b>760</b>	<b>23,454</b>	<b>3,454</b>	<b>26,908</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>5,731</b>	<b>801</b>	<b>6,532</b>	<b>(3,319)</b>	<b>3,213</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 Comparative Figures	Committee Analysis	Amounts not Reported to Management for Decision Making	Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(7,226)	0	(7,226)	0	(7,226)
Interest and Investment Income	0	0	0	(58)	(58)
Income from Council Tax	0	0	0	(3,174)	(3,174)
Government Grants and Contributions	(11,279)	87	(11,192)	(3,962)	(15,154)
<b>Total Income</b>	<b>(18,505)</b>	<b>87</b>	<b>(18,418)</b>	<b>(7,194)</b>	<b>(25,612)</b>
Employee Expenses	5,666	0	5,666	0	5,666
Support Service Recharges	1,082	0	1,082	0	1,082
Non Distributed Costs	0	0	0	0	0
Depreciation, Amortisation and Impairment	1,718	425	2,143	0	2,143
Interest Payments	0	0	0	594	594
Payments to Housing Capital Receipts Pool	0	0	0	124	124
Other Service Expenses	14,274	0	14,274	0	14,274
Pension Interest Costs and Return on Pension Assets	0	0	0	759	759
Gain or Loss on Disposal of Fixed Assets	0	0	0	(38)	(38)
<b>Total Expenditure</b>	<b>22,740</b>	<b>425</b>	<b>23,165</b>	<b>1,439</b>	<b>24,604</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>4,235</b>	<b>512</b>	<b>4,747</b>	<b>(5,755)</b>	<b>(1,008)</b>

### 31. Members Allowances

In 2014/15 the Council paid allowances to Members totalling £163,147 (2013/14 £175,559). The diminution compared to the previous year reflects the end of Councillors participation in the Local Government Pension Scheme.

### 32. Audit Costs

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Fees payable to the Council's auditors with regard to external audit services carried out by the appointed auditor	43	57
Fees payable to the Council's auditors for the certification of grant claims and returns	13	10
Fees payable to the Audit Commission	2	0
	<b>58</b>	<b>67</b>

### 33. Related Party Transactions

The aim of this note is to demonstrate that any material transactions between the Council and those in a position to influence decisions are properly disclosed.

Any material transactions between related parties must be disclosed in the Statement of Accounts. The purpose of this is to highlight the possibility that the reported position and results may have been affected by the existence of the related parties and by any material transactions with them.

As Members and Chief Officers are considered to be related parties, a Register of Interest is used to record and monitor related party transactions. Disclosure forms were also completed by both Members and Chief Officers. There were found to be no significant transactions. Leicestershire County Council, Leicestershire Police and Leicestershire Local Government Pension Scheme are considered to be related party transactions, their year end balances being:

	<u>2014/15</u>	<u>2013/14</u>
	Payments £000's	Payments £000's
Leicestershire County Council	501	335
Leicestershire County Council, Pension Fund	843	807
Leicestershire County Council - Year End Debtor	3	32
Leicestershire County Council - Year End Creditor	174	7
Leicestershire Police Authority	3	9
	<u>Precepts</u> £000's	<u>Precepts</u> £000's
Leicestershire County Council	18,991	21,740
Leicestershire Police	2,981	2,818
Leicestershire and Rutland Fire Authority	1,115	946
	<b>24,611</b>	<b>26,694</b>

In 2014/15 the Council received a number of Government grants. These have been listed in notes 9 and 37 in the accounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Entities controlled or significantly influenced by the Council:

The following grants were given to external organisations in year. Whilst these amounts may not be material to the Council they may be material to and indicate control of the awarded bodies.

	2014/15		2013/14	
	Receipts	Payments	Receipts	Payments
	£000's	£000's	£000's	£000's
<b>Leicestershire County Council</b>				
Safer Communities Grant	18	0	13	0
Supporting People Grant	106	0	91	0
Council Tax Support	12	0	34	0
<b>Police &amp; Crime Commissioner for Leicestershire</b>				
Council Tax Support	0	0	6	0
<b>Leicester, Leicestershire and Rutland Fire Authority</b>				
Council Tax Support	0	0	2	0
<b>Community/Youth Grants</b>				
South and West				
Leicestershire CAB	0	55	0	57
Senior Citizen's Group	0	10	0	0
Multicultural Group	0	5	0	0
SSAFA	0	3	0	3
Age UK - Wigston	0	6	0	6

Councillor Mrs J Gore and Councillor Mr K Loydall are trustees of Age UK – Wigston, and the Senior Citizen's Action Group, who receive annual grants from the Council. Councillor Mrs H Loydall is also a member of the Senior Citizen's Action Group. Councillor D Carter is an executive committee member of Oadby Community Stakeholders, who receive an annual grant from the Council.

### **34. Remuneration of Senior Staff**

The Council is required to disclose payments made to senior employees, by post, whose remuneration is in excess of £50,000 per annum. The situation for 2014/15 is as follows;



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Senior Officers' Salary - £50,000 to £150,000

Post Holder		Salary, Fees & Allowances	Expense Allowances	Compensation for Loss of Office	Pension Contributions	Total
		£000's	£000's	£000's	£000's	£000's
Chief Executive	2014/15	95	0	0	22	117
	2013/14	95	0	0	21	116
Director of Service Delivery	2014/15	78	0	0	18	96
	2013/14	78	0	0	18	96

During the financial year 2014/15 the Council employed the Chief Financial Officer through an agency, as a result of which salary costs for this post are not included above. The total fees paid to the agency for this role totalled £44,440 for 2014/15.

### Officers Salary Exceeding £50,000

The Council's other employees receiving more than £50,000 remuneration for the year were paid in the following bands:

Remuneration Band	2014/15	2013/14
£50,000 - £55,000	0	1
£55,000 - £60,000	0	0
£60,000 - £65,000	1	0
£65,000 - £70,000	1	0
	<b>2</b>	<b>1</b>

Remuneration for these purposes includes all sums paid to or receivable by an employee, sums due by way of expense allowances and the money value of any other benefits received other than in cash, but excludes pension contributions payable by either the employee or the Council.

### Exit Packages

The numbers of exit packages with the total cost per band and total cost of the redundancies are set out in the table below:

Exit Package Cost Band	2014/15			
	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band
£0 - £20,000	1	0	1	£ 3,595
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>3,595</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package Cost Band	2014/15			
	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band
				£
£0 - £20,000	1	0	1	3,595
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>3,595</b>

### 35. Termination Benefits

The Council has terminated the contracts of one employee in the year through redundancy. The cost of this movement was £3,595 (£33,753 2013/14) -see note 34 for the number of exit packages and total cost by band.

The cost of termination benefits has been met by a combination of earmarked reserve, balance sheet provisions and revenue. All capital costs associated with early retirement have been funded by a combination of the Leicestershire County Council Pension Fund, earmarked reserves, balance sheet provisions and revenue.

### 36. Defined Benefit Pension Schemes

The Council participates in the Local Government Scheme administered by Leicestershire County Council. This is a defined benefit funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets.

In 2014/15 the Council paid an employer's contribution of £596,232 (2013/14 £749,400) into the Leicestershire County Council Superannuation Fund, representing 17.67% (2013/14 23.78%) of pensionable pay.

In addition the Council made payments into the Leicestershire County Council Superannuation Fund relating to added years benefits of £58,608 (2013/14 £58,029), representing 1.74% (2013/14 1.84%) of pensionable pay.

The annual report of the Leicestershire County Council Pension Fund is available from County Hall, Glenfield, Leicester.

### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the change 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 Housing Revenue Account via the Movement in Reserves Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserve Statement during the year:

### Comprehensive Income and Expenditure Statement

	2014/15 £000's	2013/14 £000's
<b>Cost of Services</b>		
<b>Service Cost comprising</b>		
Current Service Cost	827	797
Past Service Costs	0	0
<b>Financial and Investment Income and Expenditure</b>		
Net interest expense	877	759
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,704</b>	<b>1,556</b>

### Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement.

#### Remeasurement of the net defined benefit liability comprising

Return on plan assets (excluding the amount included in the net interest expense)	(2,788)	1,803
Actuarial gains and losses arising on changes in demographic assumptions		792
Actuarial gains and losses arising on changes in financial assumptions	6,616	1,173
Other	(434)	(974)
Prior year adjustments to actuaries report		(38)
<b>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement.</b>	<b>3,394</b>	<b>2,756</b>

### Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code.

43	48
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### Actual amount charged against the General Fund Balance for pension in the year

Employers contribution payable to scheme	802	770
Retirement benefits payable to pensioners	45	44

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2014/15 £000's	2013/14 £000's
Present Value of the defines Benefit Obligation	52,227	44,634
Fair Value of the plan assets	(27,550)	(24,208)
<b>Net liability arising from defines benefit obligation</b>	<b>24,677</b>	<b>20,426</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2014/15 £000's	2013/14 £000's
Opening fair value of scheme assets	24,208	25,328
Interest Income	1,030	1,129
<b>Remeasurement gain/ (loss)</b>		
The return on plan assets, excluding the amount included in the net interest expense	2,788	(1,803)
Contributions from employer	802	770
Contribution from employees into the scheme	223	212
Benefits paid	(1,501)	(1,428)
Other (if applicable)	0	0
<b>Closing fair value of scheme assets</b>	<b>27,550</b>	<b>24,208</b>

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

	2014/15 £000's	2013/14 £000's
Opening balance at 1st April	44,634	42,249
Current Service Costs	827	797
Interest cost	1,907	1,888
Contributions from scheme participants	223	212
<b>Remeasurement (gain) and losses</b>		
Actuarial gain/losses arising from changes in demographic assumptions	0	792
Actuarial gain/losses arising from changes in financial assumptions	6,616	1,173
Other	(434)	(974)
Past service cost	0	0
Benefit Paid	(1,546)	(1,472)
Adjustment for 2013/14 Actuarial report		(31)
<b>Closing balance 31st March</b>	<b>52,227</b>	<b>44,634</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Local Government Pension Scheme assets comprised

	Fixed Value of Scheme Assets	
	2014/15 £000's	2013/14 £000's
Cash and cash equivalents	276	549
Equity Securities	855	889
Debt Securities	2,644	2,030
Private Equity	1,045	950
Real Estate	2,611	2,263
<b>Investment Funds and unit Trusts:</b>		
Equities	13,891	12,207
Bonds	2,566	1,593
Hedge Funds	1,196	827
Commodities	1,157	1,096
Infrastructure	650	549
Other	659	1,255
	<b>20,119</b>	<b>17,527</b>
<b>Total Assets</b>	<b>27,550</b>	<b>24,208</b>

### Basis for Estimating Assets and Liabilities

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 dependant on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2015.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2014/15	2013/14
<b>Mortality assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
Men	22.2	22.2
Women	24.3	24.3
<b>Longevity at 65 for future pensioners</b>		
Men	24.2	24.2
Women	26.6	26.6
<b>Rate of Inflation</b>		
Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions	2.4%	2.8%
Rate for discounting scheme liabilities	3.2%	4.3%

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Impact on the Defined Benefit Obligation in the Scheme

	<u>Increase in Employers Liability</u>	<u>Appropriate Monetary Amount</u>
<b>Change in Assumptions 31st March 2015</b>	%	£000's
0.5% decrease in Real Discount Rate	10	5,262
1 Year increase in member life expectancy	3	1,567
0.5% increase in the Salary Increase Rate	3	1,398
0.5% increase in the Pensions Increase Rate	7	3,768

### 37. Revenue and Capital Grants

The Council has credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during 2014/15:

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
<b>Revenue:</b>		
Rent Allowance	6,571	6,493
Benefit Administration	163	245
Rent Rebates	2,881	2,884
Transparency Grant	6	3
Community Rights to Challenge New Burdens Grant	9	9
Assets of Community Value New Burdens Grant	8	8
Housing Benefit New Burdens Grant	12	7
Council Tax Support New Burdens Grant	62	33
Benefit Grant Transitional Funding	0	3
PIP ETD Atlas Grant	0	17
Local Authority Data Sharing	10	0
Individual Electoral Registration Grants	25	21
Weekly Collection Support Scheme	128	1,340
Big Lottery Fund (Boulter Crescent)	38	38
Safer Communities	18	13
Supporting People	109	91
Physical Activity Development Grant	141	93
Youth Activities Early Help	47	0
	<u>10,228</u>	<u>11,298</u>
<b>Capital</b>		
Improvement Grants	143	203
Capitalisation Provision Redistribution Grant	0	11
	<u>143</u>	<u>214</u>
<b>Total</b>	<u>10,371</u>	<u>11,512</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. Capital Expenditure

The Council's in year capital expenditure was financed as follows:

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Opening Capital Financing Requirement	22,118	22,219
<b>Capital Investment</b>		
Property, Plant, Equipment and Intangible Assets	6,153	1,332
Revenue Expenditure Funded from Capital under Statute -Other	595	464
<b>Sources of Finance</b>		
Capital Receipts	(312)	(36)
Government Grants and Other Contributions	(2,966)	(1,619)
Revenue Contribution	(174)	(8)
Revenue Provision	(237)	(234)
Closing Capital Financing Requirement	<u>25,177</u>	<u>22,118</u>
<b>Explanation of Movement in Year</b>		
Increase/Decrease in underlying need for supported Borrowing	0	0
Increase in underlying need for unsupported Borrowing	3,059	(101)
	<u>3,059</u>	<u>(101)</u>

General Fund capital expenditure in 2014/15 resulted in a net increase in the underlying need for unsupported borrowing of £3,059,072 (2013/14 £132,447).

### 39. Minimum Revenue Provision

Under the Capital Finance Regulations, this Council has a duty to set aside a Minimum Revenue Provision (MRP) for the repayment of external debt that it considers "prudent".

For this financial year in respect of debt that is supported by the Revenue Support Grant the method chosen is the Capital Financing Requirement (CFR) method. The CFR method calculates MRP as 4% of the non-housing CFR at the end of the preceding financial year.

In the case of new borrowing for which no Government support has been given and is therefore self-financed, the Asset Life method has been used. This method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

The annuity asset life method requires that the MRP for each year be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at a specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life of the asset. This results in an MRP charge that rises over time. This is deemed to be

## NOTES TO THE CORE FINANCIAL STATEMENTS

particularly appropriate for assets which generate increasing revenues over time. This has been chosen for the leisure facilities project.

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000's</b>	<b>£000's</b>
General Fund Charge	<b>238</b>	234
HRA Charge	<b>0</b>	0
<b>Minimum Revenue Provision</b>	<b>238</b>	234

The provision for depreciation should be regarded as part of the minimum revenue provision with the balance being treated as a transfer to or from the Capital Adjustment Account.

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000's</b>	<b>£000's</b>
Minimum Revenue Provision	<b>238</b>	234
Amount Charged as Depreciation	<b>(909)</b>	(1,300)
<b>Additional Charge to/from the General Fund Balance</b>	<b>(671)</b>	(1,066)

#### 40. Analysis of Net Assets Employed

	<b>31st March 2015 £000's</b>	<b>31st March 2014 £000's</b>
General Fund	<b>3,551</b>	7,879
Housing Revenue Account	<b>22,018</b>	21,412
	<b>25,569</b>	29,291



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. Information on Assets Held

Fixed assets owned by the Council include the following;

	No. as at 31st March 2015	No. as at 31st March 2014
<b>Operational Buildings</b>		
Allotment Sites	4	4
Car Parks	11	11
Cemeteries	2	2
Cemetery Buildings	4	4
Council Offices	1	1
Community / Day Centres	2	2
Depots & Garage	1	1
Garages	179	179
Garage Spaces	54	54
Golf Course Clubhouse	0	1
Pavilions	7	7
Public Conveniences	4	4
Sports Centre	1	1
Swimming Pools	1	2
Sports Grounds & Parks	16	16
Vehicle Workshop	1	1
Brocks Hill Visitor Centre	1	1
Brocks Hill Country Park	1	1
<b>Investment Property</b>		
Shops	3	3
Countersthorpe Road Sports Ground	1	1
<b>Council Dwellings</b>		
	1,240	1,247
<b>Total</b>	<b>1,534</b>	<b>1,543</b>

### 42. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long - Term		Current	
	2014/15	2013/14	2014/15	2013/14
	£000's	£000's	£000's	£000's
Financial Liabilities at Amortised Cost	19,147	19,164	2,519	1,496
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>19,147</b>	<b>19,164</b>	<b>2,519</b>	<b>1,496</b>
Loans and Receivables	26	31	4,840	6,806
Available-for-Sale Financial Assets	0	2	0	0
<b>Total Investments</b>	<b>26</b>	<b>33</b>	<b>4,840</b>	<b>6,806</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 43. Financial Instruments Gains/Losses

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

	<b>Financial Assets</b>	
	<b>Loans and Receivables</b>	
	<b>2014/15</b>	<b>2013/14</b>
	<u>£000's</u>	<u>£000's</u>
Interest Expense	574	594
Interest Income	(59)	(55)
Net (Gain)/Loss for the Year	<u>515</u>	<u>539</u>

The Council has made loans to voluntary organisations and to staff under a car loan scheme at less than market rates. As these "soft loans" total less than £8K, it has been decided that at present interest rates an adjustment for loss on them would not be material.

### 44. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2015 for loans and investments, including those loans from the Public Works Loan Board, are based on a rate equivalent to that of the outstanding period of each loan or investment.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	<b>31 March 2015</b>		<b>31 March 2014</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Financial Liabilities	21,666	24,792	20,660	20,921

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2015		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Loans and Receivables	4,866	4,866	6,839	6,839

The fair value is represented by the carrying amount as the Council has no material long-term investments.

### 45. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum for exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

## NOTES TO THE CORE FINANCIAL STATEMENTS

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Strategy and Plan which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are only made with UK banks and "top 20" building societies with a minimum long-term rating of A and a short-term rating of F1. In addition, investments in money market funds may be made provided that such funds have a long-term rating of AAA. Top 20 is defined as building societies with a minimum asset base of £1 billion. The Council has a policy of not lending more than £1.5 million of its surplus balances to one institution.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions. For sundry debtors, other debtors and housing rents the historical experience of default is based on the provision for bad and doubtful debts according to generally accepted accounting practice. This is adjusted to reflect current market conditions.

	Amount at 31st March 2015	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31st March 2014	Estimated Maximum Exposure to Default and Uncollectibility
	£000's A	% B	% C	£000's (A x C)
<b>Deposits with banks and financial institutions</b>				
Local Authorities	4,000	0.00	0.00	0.00
AA Rated Counterparties	0	2.00	2.00	0.00
A Rated Counterparties	0	6.00	6.00	0.00
<b>Sundry Debtors *</b>	1,015	3.83	3.83	38.90
<b>Other Debtors</b>	500	3.83	3.83	19.16
<b>Housing Rents</b>	269	1.97	1.97	5.31
				63.37

\* Sundry debtors includes the overpayment of housing benefits, building control fees and charges, licensing fees and other service fees and charges.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not allow credit for customers, such that all of the debtor's balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Less than three months	196	235
Three to six months	144	68
Six months to one year	126	137
More than one year*	549	464
	<u>1,015</u>	<u>904</u>

\* The majority of debt that has been outstanding for more than one year relates to the overpayment of housing benefit where instalment payment has been set up.

### **Liquidity Risk**

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

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions is unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### **Refinancing and Maturity Risk**

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved Treasury Strategy and Plan and Investment Strategy address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Less than one year	2,519	1,496
Between one and two years	13	16
Between two and five years	520	34
More than five years	18,614	19,114
	<u>21,666</u>	<u>20,660</u>

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

### Market Risk

#### Interest Rate Risk

Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. Movement in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Council has a number of strategies for managing interest rate risk. The policy is to have no more than 25% of its borrowings in variable rate loans. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be fixed or variable.

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000's	£000's
Increased return on money market investments	(83)	(74)
<b>Impact on Income and Expenditure Account</b>	<u>(83)</u>	<u>(74)</u>
<b>Share of Overall Impact Credited to the HRA</b>	<u>(28)</u>	<u>(17)</u>

The current Bank of England Base Rate is 0.50%. The scope for any further decrease in prevailing interest rates for investments with a maturity of less than one year is so small that the Council does not regard the risk to be material.

### **Price Risk**

The Council is not exposed to price risk as it does not invest in equity shares.

### **Foreign Exchange Risk**

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

## **46. Contingent Liabilities**

### Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/13. The impact upon the Council as a scheme creditor is not clear, nor is the consequential impact on future funding for unknown claims incurred but not reported between 1974 and 1992. Whilst the Council has so far fulfilled its obligations to the scheme, the total liability going forward is uncertain, and there thus remains the possibility of future demands on Council funds.

### Litigation

The Council is not currently involved in any employment tribunals, personal injury claims, or any other form of litigation.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 47. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

A non-material prior period adjustment have been made to the Council's 2013/14 published financial statements in relation the provision for Non Domestic Rate appeals which have been removed from the short term debtors category on the balance sheet, where it previously had been netted off, and is now shown gross as a short term provision. This has had an effect on both the balance Sheet and Cash Flow Statement as detailed below although there is no overall effect on the Councils financial position. This provision did not exist in 2012/13 and was a non adjusting accounting policy change for 2013/14, as a result it has no impact on the 2012/13 figures.

#### Effect on the Balance Sheet

	As At 31/03/2014 £000's	Adj for Restatement £000's	As At 31/03/2014 Restated £000's
<b>Current Assets</b>			
Short Term Debtors	1,244	174	1,418
Short Term Investments	6,014	0	6,014
Inventories	63	0	63
Cash and Cash Equivalents	2,170	0	2,170
	9,491	174	9,665
<b>Current Liabilities</b>			
Short Term Borrowing	(17)	0	(17)
Bank Overdrawn	(356)	0	(356)
Short Term Creditors	(2,296)	0	(2,296)
Short Term Provisions	(52)	(174)	(226)
	(2,721)	(174)	(2,895)
<b>Net Current Assets less Current Liabilities</b>	<b>6,770</b>	<b>0</b>	<b>6,770</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Effect on the Cash Flow Statement

<b>Adjustments to the Net Surplus or Deficit of the Provision of Services for Non Cash Movement</b>	<b>2013/14 £000's</b>	<b>Adj for Restatement £000's</b>	<b>2013/14 Restated £000's</b>
Depreciation and Impairment of Non-current Assets	(2,156)	0	<b>(2,156)</b>
Increase/(Decrease) in Inventories	(3)	0	<b>(3)</b>
Increase/(Decrease) in Debtors	(324)	174	<b>(150)</b>
(Increase)/Decrease in Creditors	(122)	0	<b>(122)</b>
Net Charges made for Retirement Benefits	(748)	0	<b>(748)</b>
Carrying Amount of Non Current Assets Sold	(346)	0	<b>(346)</b>
Carrying Amount of Non Current Assets De-recognised	(30)	0	<b>(30)</b>
Increase/(Decrease) in Provisions	71	(174)	<b>(103)</b>
Other Cash and Non Cash Movements	(2)	0	<b>(2)</b>
increase/(decrease) in the value of soft loans in year	2	0	<b>2</b>
<b>Total</b>	<b>(3,658)</b>	<b>0</b>	<b>(3,658)</b>

### **48. Statement of Authorisation**

The Statement of Accounts was authorised for issue on the 22 September by Mr. J Dickson CPFA, Chief Financial Officer and Section 151 Officer. All financial events up to and including this date have been considered in these accounts including the amendments arising from the audit.

Mrs. S.B. Morris.  
Chair of Policy, Finance and Development Committee

**THE HOUSING REVENUE ACCOUNT  
INCOME AND EXPENDITURE STATEMENT**

This account summarises the resources that have been generated and consumed in providing services and managing the Council's Housing Revenue Account during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	<u>2014/15</u>	<u>2013/14</u>
Note	£000's	£000's
<b>Expenditure</b>		
Repairs and maintenance	1,022	1,074
Supervision and management	1,168	1,033
Rents, rates, taxes and other charges	32	20
Depreciation and impairment of non-current assets	6, 7 2,180	855
Debt management charges	8	14
Bad debts written off	0	38
Increase in bad debt provision	35	(10)
<b>Total Expenditure</b>	<b>4,445</b>	<b>3,024</b>
<b>Income</b>		
Dwellings rent	(4,882)	(4,692)
Non dwellings rent	(87)	(80)
Charges for services and facilities	(203)	(184)
<b>Total Income</b>	<b>(5,172)</b>	<b>(4,956)</b>
<b>Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		
	<b>(727)</b>	<b>(1,932)</b>
HRA services share of Corporate and Democratic Core	201	185
HRA Share of other amounts included in whole authority net expenditure of continuing operations not allocated to specific services	0	0
<b>Net Income of HRA Services</b>	<b>(526)</b>	<b>(1,747)</b>
<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>		
(Gain)/Loss on the Sale of HRA non-current assets	(60)	(78)
De-recognition of Non-Current Assets	614	30
Interest and investment income	(23)	(16)
Interest payable and similar charges	539	539
Pensions interest cost and expected return on pension assets	114	99
<b>Deficit/(Surplus) for the Year on HRA Services</b>	<b>658</b>	<b>(1,173)</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

	<u>2013/14</u>	<u>2013/14</u>
Note	<u>£000's</u>	<u>£000's</u>
Balance on the HRA at the end of the previous reporting period	1,897	1,027
Deficit/(Surplus) for the year on the HRA Income and Expenditure Statement	(658)	1,173
Adjustments made between Accounting Basis and funding basis under statute	1	(302)
<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>826</b>	<b>871</b>
Transfers to or (from) Reserves	0	0
<b>(Increase) or decrease in year on the HRA</b>	<b>826</b>	<b>871</b>
<b>Balance on the HRA at the end of the current reporting period</b>	<b><u>2,723</u></b>	<b><u>1,898</u></b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Adjustment Between Accounting Basis and Funding Basis Under Statute

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Impairment of non-current assets	(1,353)	(107)
(Gain)/loss on the sale of non-current assets	60	78
Accumulating compensating absences	4	(5)
De-recognition of non-current assets	(614)	(30)
Net charges made for retirement benefits in accordance with IAS 19	(222)	(202)
Transfer (to)/from major repairs reserve	357	455
Revenue contribution to capital	174	8
Transfer (to)/from other reserves	0	0
Employers contribution payable to the Leicestershire Pension Fund and retirement benefits payable direct to pensioners	110	105
<b>Adjustments made between Accounting Basis and Funding Basis under Statute</b>	<b><u>(1,484)</u></b>	<b><u>302</u></b>

### 2. Balance Sheet Value of Authority's Housing Stock

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
<b>Operational Assets</b>		
Dwellings	42,154	41,067
Other land and Buildings	892	892
	<u>43,046</u>	<u>41,959</u>
<b>Non Operational Assets</b>		
Investment Property	156	140
<b>Total</b>	<b><u>43,202</u></b>	<b><u>42,099</u></b>

The vacant possession value of dwellings at 31 March 2015 was £123,982,800 (31 March 2014 £120,786,000) against a balance sheet value of £42,154,153 at the same time. The difference reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on assets in a commercial environment will reflect the required economic rate of return in relation to income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3. Housing Stock

The Council was responsible for managing on average 1,244 dwellings during 2014/15. The stock at year end was as follows;

	<u>2014/15</u>	<u>2013/14</u>
	No.	No.
Houses / Bungalows	694	698
Flats / Maisonettes	546	549
Total Stock	<u>1,240</u>	<u>1,247</u>

The change in stock can be summarised as follows;

	<u>2014/15</u>	<u>2013/14</u>
	No.	No.
Stock at 1 April	1,247	1,256
Sales	(7)	(9)
Additions		
Stock at 31 March	<u>1,240</u>	<u>1,247</u>

### 4. Major Repairs Reserve

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Balance on MRR at 1 April	1,012	445
Amounts Transferred in to MRR in Year	828	750
Transfers to/(from) MRR to HRA in Year	357	455
MRR Used for Capital Expenditure in Year	(2,197)	(638)
Balance on MRR at 31 March	<u>0</u>	<u>1,012</u>

### 5. Funding of HRA Stock

A total of £2,196,821 was spent on the Authority's housing stock. This was funded as follows;

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Major Repairs Reserve	<u>2,197</u>	<u>638</u>

HRA Capital Receipts retained by the Authority for 2014/15 totalled £312,025 (2013/14 £414,020). These were entirely attributable to the Sale of Council Houses under the Right to Buy Scheme.

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## NOTES TO THE HOUSING REVENUE ACCOUNT

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### 6. Depreciation and Amortisation

The total charge for non current assets within the Authority's HRA during the financial year 2014/15 is £827,123

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Dwellings	749	690
Other Land & Buildings	62	55
Intangibles (Computer Software)	16	4
Total	<u>827</u>	<u>749</u>

### 7. Impairment of HRA Assets

The total charge for impairment of Non Current Assets within the HRA during the financial year 2014/15 is £1,352,907. This was entirely due to the decrease in the housing and rental property markets.

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Dwellings	1,353	107
Investment Properties	0	0
Total	<u>1,353</u>	<u>107</u>

### 8. Rent Arrears

During the year rent arrears have increased by £64,182

	<u>2014/15</u>	<u>2013/14</u>
	£000's	£000's
Arrears at 31 March	269	204

A bad debt provision has been made in the accounts in respect of potentially uncollectible rent arrears. The value of the provision at 31 March 2015 is £120,355 (31 March 2014 £85,214).

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## NOTES TO THE HOUSING REVENUE ACCOUNT

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### 9. HRA Share of Contribution To or From the Pension Fund

To Comply with IAS 19 the current service costs for the HRA are incorporated into Supervision and Management and Repairs and Maintenance costs shown. These Items are then reversed by the net effect of the following items

- (i) Net Charges Made for Retirement Benefits in Accordance with IAS 19.  
This amounted to £221,520 in 2014/15 (£202,280 in 2013/14)
  
- (ii) Employers Contributions to Leicestershire County Council pension fund and retirement benefits paid direct to pensioners. This amounted to £109,569 in 2014/15 (£104,966 in 2013/14)

**Explanatory Foreword**

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Oadby and Wigston, the Council Tax precepting bodies are the Leicestershire County Council (LCC), the Police and Crime Commissioner for Leicestershire (PCCL) and the Leicester, Leicestershire and Rutland Combined Fire Authority (LLRCFA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Oadby and Wigston share is 40% with the remainder paid to precepting bodies. For Oadby and Wigston the NNDR precepting bodies are Central Government (50% share), County Council (9%) and Fire Authority (1% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

The Accounts include an Explanatory Forward, a Statement of Accounting Policies and an Income and Expenditure Account, together with supporting notes.



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## COLLECTION FUND

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### **Accounting Policies**

#### **1. Income and Expenditure**

The accounts have been prepared on an accruals basis. This is, sums due to or from the Collection Fund are included whether or not the cash has actually been received or paid in the year.

The above policy is not followed when dealing with the apportionment of the surplus or deficit on the fund to precepting authorities.

#### **2. Council Tax/NNDR Bad Debt Provision and NNDR provision for Valuation Appeals**

A provision is created when a sum of money is set aside to meet future specific expenses which are likely or certain to be incurred, but the amount of which can not yet be determined accurately.

The Collection Fund provides for bad debts on arrears on the basis of prior years experience and current years collection rates.

## THE COLLECTION FUND ACCOUNT

2013/14			2014/15			
Business Rates £000's	Council Tax £000's	Total £000's	Note	Business Rates £000's	Council Tax £000's	Total £000's
<b>Income</b>						
0	(24,766)	(24,766)		0	25,087	25,087
Council Tax Payers Transfers from General Fund						
0	(6)	(6)		0	6	6
(11,554)	0	(11,554)	3	11,451	0	11,451
Business Ratepayers Apportionment of Previous Year Deficit:						
0	0	0		119	0	119
0	0	0		95	0	95
0	0	0		21	0	21
Leicester, Leicestershire & Rutland Combined Fire Authority						
0	0	0		2	0	2
(11,554)	(24,772)	(36,326)		11,688	25,093	36,781
<b>Total Income</b>						
<b>Expenditure</b>						
11,298	24,149	35,447	4	11,692	24,715	36,407
Precepts and Demands						
56	0	56		56	0	56
Costs of Collection						
5	0	5		4	0	4
Court Costs						
Bad and Doubtful Debts						
66	8	74		26	6	32
Write Offs						
75	47	122		45	61	106
Provisions						
434	0	434		381	0	381
Appeals						
Apportionment of Previous Year Surplus:						
0	17	17		0	88	88
Oadby and Wigston Borough Council						
0	92	92		0	461	461
Leicestershire County Council Leicester, Leicestershire & Rutland						
0	5	5		0	25	25
Combined Fire Authority						
Police and Crime Commissioner for Leicestershire						
0	15	15		0	75	75
11,934	24,333	36,267		12,204	25,431	37,635
<b>Total Expenditure</b>						
380	(439)	(59)		516	338	854
<b>Movement on Fund</b>						
0	(238)	(238)		380	(677)	(297)
Balance at Beginning of Year						
380	(677)	(297)		896	(339)	557
<b>(Surplus)/Deficit on Fund at End of Year</b>						
Allocated to:						
190	0	190		448	0	448
Central Government						
152	(92)	60		358	(46)	312
Oadby and Wigston Borough Council						
34	(480)	(446)		81	(240)	(159)
Leicestershire County Council Leicester, Leicestershire & Rutland						
4	(26)	(22)		9	(13)	(4)
Combined Fire Authority						
Police and Crime Commissioner for Leicestershire						
0	(79)	(79)		0	(40)	(40)
380	(677)	(297)		896	(339)	557

## NOTES TO THE COLLECTION FUND ACCOUNT

### 1. Council Tax Balance and Transactions at Year End

For the purpose of the Balance Sheet, it is considered that this Authority acts as an agent, collecting Council Tax on behalf of the major preceptors and itself. Council Tax transactions and balances are therefore allocated between this authority and the other major preceptors.

Shown below are the allocations to all preceptors as at 31<sup>st</sup> March 2015.

<u>Authority</u>	<u>Arrears £000's</u>	<u>Bad Debt Provision £000's</u>	<u>Over &amp; Pre payments £000's</u>	<u>(Surplus) /Deficit £000's</u>	<u>Balance Payable £000's</u>	<u>Balance 2013/14 £000's</u>
Leicestershire County Council	738	(238)	(288)	(240)	28	326
Leicestershire Police Authority	123	(39)	(48)	(40)	4	53
Combined Fire Authority	41	(13)	(16)	(13)	1	18
<b>Total Other Major Preceptors</b>	<b>902</b>	<b>(290)</b>	<b>(352)</b>	<b>(293)</b>	<b>33</b>	<b>397</b>
Oadby & Wigston Borough Council	138	(44)	(54)	(46)	6	63
<b>Total All Preceptors</b>	<b>1,040</b>	<b>(334)</b>	<b>(406)</b>	<b>(339)</b>	<b>39</b>	<b>460</b>

### 2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2014/15 has increased to 16,461.76 (16,122.66 in 2013/14).

## NOTES TO THE COLLECTION FUND ACCOUNT

Band	Estimated No. of Taxable Properties after Effect of Discounts	Ratio	No. of Band D Equivalent Dwellings
Z	11.50	5/9	6.40
A	3,112.00	6/9	2,074.70
B	5,230.25	7/9	4,068.00
C	6,356.25	8/9	5,650.00
D	2,772.00	9/9	2,772.00
E	1,714.25	11/9	2,095.20
F	454.00	13/9	655.80
G	401.50	15/9	669.20
H	60.00	18/9	120.00
<b>Total</b>	<b>20,111.75</b>		<b>18,111.30</b>
Add Adjustment**			86.04
Local Council Tax Discount Schemes			(1,484.96)
Deduct Allowance for Losses in Collection			(250.62)
<b>Council Tax Base</b>			<b>16,461.76</b>

### \*\* Adjustment

The adjustment relates to anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, exempt properties, collection rate and crown contributions.

### 3. Income from Business Ratepayers

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Oadby and Wigston the local share is 40%. The remainder is distributed to preceptors and in the case of Oadby and Wigston these are Central Government 50%, Leicestershire County Council (LCC) 9% and 1% to the Leicester, Leicestershire and Rutland Combined Fire Authority (CFA).

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Oadby and Wigston paid a tariff in 2014/15 to the value of £3,446,057 (£3,380,209 in 2013/14) (see Note 9, Notes to the Core Financial Statements).

In addition to the top up, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Oadby and Wigston the value of safety net figure is £1,270,535 (£1,246,257 in 2013/14). The comparison of business rate income

## NOTES TO THE COLLECTION FUND ACCOUNT

to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2013) not allowed for when the safety net was set. The Council qualifies for a safety net payment of £83,246 for 2014/15 (£60,672 for 2013/14).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2015. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2014/15 has been calculated at £815,096 (£434,032 in 2013/14).

The total non-domestic rateable value at 31 March 2015 was £31,302,069 (£31,420,944 31 March 2014). The national non-domestic multipliers for the year were:

Full 0.482 (0.471 for 2013/14)  
 Small Business 0.471 (0.462 for 2013/14)

Shown below are the allocations to all preceptors as at 31 March 2015.

<u>Authority</u>	<u>Arrears</u> £000's	<u>Bad Debt</u> <u>Provision</u> £000's	<u>Over &amp; Pre</u> <u>payments</u> £000's	<u>(Surplus)</u> <u>/Deficit</u> £000's	<b>Balance</b> <b>Payable</b> £000's	Balance 2013/14 £000's
Central Government	358	(536)	(253)	448	(17)	28
Leicestershire County Council	65	(97)	(46)	81	(3)	5
Combined Fire Authority	7	(11)	(5)	9	0	0
<b>Total Other Major Preceptors</b>	<b>430</b>	<b>(644)</b>	<b>(304)</b>	<b>538</b>	<b>(20)</b>	<b>33</b>
Oadby & Wigston Borough Council	287	(429)		358	(216)	23
<b>Total All Preceptors</b>	<b>717</b>	<b>(1,073)</b>	<b>(304)</b>	<b>896</b>	<b>(236)</b>	<b>56</b>

## NOTES TO THE COLLECTION FUND ACCOUNT

### 4. Precepts and Demands

2013/14				2014/15		
Business Rates £000's	Council Tax £000's	Total £000's		Business Rates £000's	Council Tax £000's	Total £000's
1,017	17,138	18,155	Leicestershire County Council	1,052	17,499	18,551
0	2,803	2,803	Leicestershire Police Authority	0	2,905	2,905
113	941	1,054	Combined Fire Authority	117	976	1,093
5,649	0	5,649	Central Government	5,846	0	5,846
4,519	3,267	7,786	Oadby and Wigston Borough Council	4,677	3,335	8,012
<u>11,298</u>	<u>24,149</u>	<u>35,447</u>	<b>Total</b>	<u>11,692</u>	<u>24,715</u>	<u>36,407</u>

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's responsibilities**

The Authority 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 authority, that officer is the Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Section 151 Officer's responsibilities**

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Section 151 Officer has also:

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

### **Certificate of the Section 151 Officer**

I certify that the statement of accounts gives a true and fair view of the financial position of the Council as at the 31<sup>st</sup> March 2015 and the Council's income and expenditure for the year then ended.



John Dickson CPFA  
Interim Chief Financial Officer

Date 22 September 2015

**DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15****Scope of Responsibility**

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

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

The Council has previously approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. A copy of the Authority's code can be obtained from Corporate Resources. This Statement shows how the Council has complied with the Code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 which requires the Council to prepare an Annual Governance Statement.

**Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It reflects activities through which the Council meets the needs of the community. It includes arrangements to monitor the achievements of its strategic objectives and to consider whether those objectives have lead to the delivery of appropriate services and value for money.

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

The governance framework has been in place at Oadby & Wigston Borough Council for year ended 31 March 2015 and up to the date of the approval of the Statement of Accounts.



## **The Governance Framework**

### Vision and Priorities

The Council's Corporate Plan was updated in June 2014 with the Council's three main priorities being declared as:

- A good quality of life for all residents
- A clean, green and safe environment
- A successful economy.

These priorities were agreed with residents through the consultation process and the residents' forums.

In 2011 the Council set out a vision for 2011-15 represented by the following seven priorities:-

- Protect the good quality and consistent value for money frontline services provided to residents, particularly with the refuse and recycling collections
- Enhance the green environment of the Borough so the residents can take full advantage of it
- Revitalise the town centres through development and by retaining free shoppers car parking
- Work with the Police to create a safer Borough where people feel comfortable and at ease
- Better community engagement including listening to and delegating more to the three town forums
- Work smarter to deliver the efficiency, savings required to meet the continuing budget cuts
- Working with others to try and improve the health and wellbeing of the residents of the Borough.

These priorities will:

- Focus and drive forward the Council's strategic plan over the next four years
- Form the basis of the Council's Medium Term Finance Strategy
- Provide the direction for allocating resourcing and restructuring
- Set the parameters for the annual Service Delivery and Development Plans.

The vision on objectives of individual departments are outlined in the annual Service Delivery and Development Plans. The plans for 2014/15 were approved by relevant committees in July 2014.

The Council's financial strategy is outlined in the medium term financial strategy 2014 to 2017 which was approved by the Policy, Finance & Development Committee in March 2014. The document outlines 11 financial

objectives which the Council looks to achieve in order to meet the continuing pressure and available resources. Alongside this the Council has put in place the Housing Revenue Account (HRA) business plan which sets out how the Council will respond and operate under the new system of self-financing.

### **Quality of Services**

Service plan targets and key performance indicators as set for each department within the Service Delivery and Development Plans. Progress against targets is monitored monthly by the management team and relevant committees. The Council's financial position is reported against budget to every Policy Finance and Development Committee meeting. Detailed budget information is provided to budget holders each month and dedicated project teams provide financial information for large projects or schemes. A full review of the budgetary control process was carried out during 2014/15. This aimed to ensure that budget information provides value for users and effectively informed decisions.

The Council ensures that its key priorities determine the allocation of resources to deliver its agreed activities. A robust Corporate Business Planning programme is used to identify projects against criteria including the Council's agreed policies, its priorities, the outcomes of public consultation, demonstration of continuous improvement and change in legislative need. New funding (investment) or funding from services downsize or de-prioritise is allocated to projects based on outcomes of this exercise. Agreed projects are then included in the relevant service plans as priorities for the Borough in 2013/14.

Achievements of the priorities for the Borough have been monitored throughout 2013/14 by the Council's Senior Management Team and reports to the relevant committees. This included brief details of key achievements against these priorities. The monitoring of delivery against the priorities ensures the Council's capacity to deliver against projects within the agreed cost, time and resources.

To further ensure that non-core resources are directed or re-directed towards the achievement of agreed objectives and priorities within the overall priorities for the Borough, there is an annual critical review of existing services and budgets. This process helps ensure the economic, effective and efficient use of resources and is undertaken within the framework of the Value for Money Strategy.

The financial elements of the Council's Corporate Business Planning process are set out in the Medium Term Financial Strategy and looks three years' ahead to ensure the Council's commitment to deliver its' priorities. The Council has a good track record of robust financial management and internal control but the Council's resources are necessarily limited and efficiencies year-on-year continue to be required. There is therefore increasing reliance on excellent partnership working to ensure the Council demonstrates value for money and the delivery of its' plans and actions.

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## ANNUAL GOVERNANCE STATEMENT

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The Council continues to ensure the accounts are compliant with the Local Authority Accounting Code of Practice for 2014/15. Performance against its' budget is monitored at committee meetings and by Senior Management Team and through the Corporate Business Planning process. It ensures that the level of reserves it holds is sustainable over the medium term. The Medium Term Financial Strategy will continue to take account of the current economic climate and the recent changes to Local Authority funding.

The Council has a Treasury Management Strategy that is reviewed each year and monitored on a regular basis. This ensures the Council has sound processes and controls over the Treasury function that minimises risk to the Council.

The Council communicates the Borough vision and achievements against its priorities by a quarterly publication that is delivered to the homes of its' residents and on its website. The Council Tax information leaflet gives further information on the Council's performance, expenditure and efficiencies and is posted on the Council's website.

The Council, the Policy, Finance and Development Committee and the Service Delivery Committee take decisions on service and management matters. They are timetabled to meet four times a year. The Policy, Finance and Development Committee undertakes the role of the Audit Committee and provides ongoing monitoring and scrutiny of financial management, performance, policy and action plans. Further challenge is provided by Members through meetings with Committee Chairmen, Resident Forums and Member Workshops.

Scrutiny is provided at Officer level through the work of the Council's internal audit function which since May 2012 has been delivered by CW Audit Services. The annual risk based audit plan contributes to the review of the Council's key internal control systems, risk management processes and corporate governance arrangements. CW Audit supports the design and effectiveness of the Governance framework. Each internal audit review is given an assurance level. The definition of each of these assurance levels are provided in the table below.

**Table – Definition of Assurance Levels**

<b>Level of Significance</b>	<b>Criteria</b>
Full	No significant risk issues identified
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review

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No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole
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Regular monitoring meetings are held with the Chief Financial Officer as the Council's Section 151 Officer and the Director of Services. This ensures the high standard of internal audit support is maintained. The annual audit plan is reviewed on a frequent basis to identify any amendments needed to reflect changing priorities, emerging risks or resourcing changes.

Further challenges are provided by the Senior Management Team.

It is important to ensure that Members and Officers work together to achieve a common purpose with clearly defined functions and roles. The Constitution includes a Scheme of Delegation and Terms of Reference for each of the Council's committees. Responsibilities are recorded to make clear how the Council and its committees operate within the Council. The Constitution reflects the legislative arrangements for defining these functions. To emphasise the separation of these functions the Terms of Reference are divided into relevant sections.

The Scheme of Delegation defines the general power to that granted to the Chief Executive and Chief Officers within the areas of their service responsibility. The Constitution is published on the Council's website.

The Members are responsible for ensuring that effective policy making, scrutiny and monitoring of activities occur. A clear committee structure assists such responsibilities to be effectively carried out. Members' expertise and involvement is further enhanced by ongoing training and development of Members.

The Council has a statutory responsibility to have a Section 151 Officer and a Monitoring Officer. The interim Chief Financial Officer is the Section 151 Officer who has a duty to the Council's tax payers to ensure that public money is being appropriately spent and managed. The Monitoring Officer is the Council's Director of Services who acts as guardian of the Council's Constitution to ensure lawfulness, probity and fairness of Council decision making. The Chief Financial Officer reports directly to the Chief Executive. The Chief Financial Officer ensures that appropriate advice is given on all financial matters. He is responsible for keeping proper financial records and the Council maintaining an effective system of internal control.

Officer decision making at a strategic level is led by the Senior Management Team comprising the Chief Executive, Interim Chief Financial Officer and Director of Services. They meet usually on a weekly basis and addressed at each meeting is finance, policy, governance, human resource issues and performance including delivery of the priorities for the Borough.

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The Council's financial management arrangements conform with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

To ensure that a constructive working relationship exists between elected Members and Officer there is an agreed protocol which governs Members and Officers working relationships.

An Annual Governance Statement promotes governance values for the Council and demonstrates the values of good governance through upholding high standards of conduct and behaviour.

To ensure Councillors and any co-opted Members of the Borough Council behave in a way that exemplifies high standards of conduct and effective governance, the Standards Committee promoted and maintained high standards of conduct. The Council Officers are likewise expected to maintain such high standards of conduct. Following changes to the standards regime a new Member Code of Conduct was approved by Council in 2012. The Council has a staff Code of Conduct that is on the Council's Intranet, in the same way as all Council policies. Regular records of advice and Code issues are kept by the Monitoring Officer. The Standards Committee oversaw the number and types of complaints dealt with through the local referrals process.

Declaring interests under the Code of Conduct is a standard item on the agenda at every committee meeting and Council and declarations are minuted by the Clerk. A legal advisor attends all Council and Committee meetings to advise on code and other issues where this is requested or otherwise considered appropriate. A Planning Code of Conduct is in place and is adhered to by members who sit on the Development Control Committee. Members and Officers comply with a Gift and Hospitality Policy. They can also be called in at any time by the Monitoring Officer.

There is an Internet page explaining how complaints can be made against Councillors. This can be done by either downloading a complaint form or making a complaint on-line. The web page also has links to the Code of Conduct within the Constitution. The confidential Monitoring Officer e-mail inbox is available to receive complaints. A register of the Council's contracts is published on the Council website. In addition, details of the Council's spend above £250 (excluding VAT) is published on a quarterly basis. Another key element of the systems in process in the Council's Governance arrangements are to make informed and transparent decisions which are subject to effective scrutiny in managing risk.

Underpinning the Council's financial management arrangements is a regularity framework comprising Financial Regulations, Contract Procedure Rules, annual audits of key financial systems, audits of other systems undertaken on a risk-based basis and the role of the Statutory Section 151 Officer. Other processes and procedures such as the Procurement Strategy and Risk Management Strategy are monitored on a regular basis.

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An annual review and update of Financial Regulations and Contract Procedure Rules is undertaken. These reviews are led by the Chief Financial Officer and involve relevant key officers. Key financial systems have supporting procedure notes and manuals which are regularly reviewed to show they remain current.

The Risk Management strategy was reviewed in 2014 and will be reviewed bi-annually unless changes are made which require the documents to be updated in the interim. In addition, the Policy, Finance & Development Committee receive reports on risk management which enables them to monitor as appropriate.

The Monitoring Officer has processes for the review of legislative changes which feed into the annual review of the Constitution. Consultation meetings and other forms of communication between the Monitoring Officer and Senior Managers as appropriate ensures that managers can contribute to revisions for the scheme of delegation and Terms of Reference. The Annual Review of the Council's Constitution which includes all Terms of Reference and Scheme of Delegation is discussed with Members who are on the Constitutional Task Group. The Monitoring Officer retains overall responsibility for monitoring the Constitution.

The Council's policies and procedures are drawn up and regularly reviewed to ensure compliance with current legislation and regulations. Legal Services assist with updating and amending relevant policies and advice on legal implications including legislative impacts or decisions put forward in committee reports. Equalities implications are also considered as part of the committee reports. Concerns regarding non-compliance with policies, procedures, laws and regulations can be reported through the Council's anti-fraud and confidential reporting (whistle blowing) policies. Concerns raised are investigated and acted on following clearly defined guidelines.

The Whistle Blowing Policy is published on the Council's Intranet and internet to raise awareness and outlines procedures in place to staff, contractors and the public and features in the induction of new staff. The Anti-Fraud and Corruption Policies are on the Intranet and are given to all new members of staff as part of the Council's comprehensive staff induction process. The Monitoring Officer after consultation with the Chief Executive and Section 151 Officer has statutory powers to report to Council in relation to any function, any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to mal-administration. Such a report would have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Policy, Finance & Development Committee receives regular reports from the Council's External Auditor and Internal Audit. Where appropriate, comment is made on non-compliance with legislation that has been identified as part of a routine audit. The Chief Financial Officer has direct access to this Committee as well as to External Auditors. All members of the Policy, Finance & Development Committee have received formal training in risk

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management so as to allow them to appreciate the nature of risks presented to the Council through its activities. Training on Internal Audit will also be given to augment the Committee's knowledge of this function.

Another key element of the systems and processes that comprise the Council's governance arrangements is to develop the capacity and capability of Members and Officers to be effective.

The Council's appraisal process not only identifies progress and performance but also skills gaps. Any identified gaps are then addressed through an individual's personal development plan. Personal development and delivery against agreed personal objectives are monitored in ongoing one-to-one discussions. This process ensures that the Council continually has in post individuals equipped to carry out their functions with due regard to law, policy and regulation.

As part of the business planning process each service plan includes learning and development needs linked to specific actions. This ensures that the skills sets required to deliver the key priorities and actions for the Council are identified and development planned and provided.

Changes to and development of training programmes are disseminated to relevant staff and published on the Intranet and more broadly using the Council's other internal communication mechanisms.

The Council fully supports the development of Members.

Engaging with local people and other stakeholders to ensure robust public accountability is a key element of the governance framework.

The Council's corporate business planning process includes an annual timetable of formal consultation events ensuring statutory, voluntary and business partners have the opportunity to comment on budget proposals under consideration.

The Council has given delegated authority on budget provision to three Residents Forums. These can make recommendations to the Policy, Finance & Development Committee on various projects and how the funding can be allocated. The Forum's membership is open to people who live in the three areas and it has been found to be a very good source of communication and consultation of the Council's policy initiatives.

Reviewing the effectiveness is another important element of the governance framework.

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 report from the

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## ANNUAL GOVERNANCE STATEMENT

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Council's Internal Auditors (CW Audit Services) is a key mechanism for reviewing the effectiveness of the Council's arrangements on governance. Also, comments made by External Auditors and where relevant other review agencies and inspectorates are important.

The Senior Management Team chaired by the Chief Executive reviews the Council's governance framework and control environment and is responsible for the preparation of the Annual Governance Statement.

Each Head of Service and Corporate Manager, as appropriate, is responsible for producing their own service assurance statements and developing an improvement action plan to rectify any identified governance weaknesses within their service areas. The Chief Financial Officer reviews all of these documents. The Policy, Finance & Development Committee members are informed of progress on producing this Annual Governance Statement and will review it and evaluate the robustness of the underlying assurance statements and evidence.

No cases of mal-administration were found against the Council by the Local Government Ombudsman during 2014/15.

The Policy, Finance & Development Committee has reviewed progress against the Annual Governance Statement 2013/14 action plan that was implemented in 2014/15. The Council has taken action where improvements were needed to be made in response to audit recommendations. The results of this process are summarised in the tables at the end of this Annual Governance Statement.

### **Constitutional Matters**

The key roles and responsibilities of Council committees, elected members, the Chief Executive, Monitoring Officer and Section 151 Officer are set out in the Council's constitution scheme of delegation.

The constitution includes the Contract Procedure Rules and Financial Regulations which detail the processes and improvements required for various levels of purchase and the internal control procedures required for managing the risk across the Council. The constitution scheme of delegation, Financial Regulations and Contract Procedure Rules were extensively updated during 2014 by the Policy, Finance & Development Committee.

### **Code of Conduct**

The standards of behaviour expected from members and officers are set out in Member/Officer Codes of Conduct. A register of members' interest is maintained and the records of interest are declared at council and committee meetings. All members are required to complete Related Party Declarations at the end of the financial year in support of the statutory financial statements. Members' allowances are examined on an annual basis and a review of the



allowance scheme was undertaken in 2014/15 by an independent remuneration panel.

The Constitution, Contract Procedure Rules, Financial Regulations, Whistle Blowing Policy and the Anti-Fraud and Corruption Policy set the rules and standards within which Council business is conducted and provide the mechanism for dealing with any failures in these procedures.

Chapter 7 of the Localism Act 2011 outlines that there is no longer a statutory requirement to have a Standards Committee. However each Council has to put in place arrangements dealing with complaints and standards issues. The Standards Committee decided its' preference was to adopt a common code in collaboration with other Local Authorities in Leicestershire and Rutland and was approved by the Council in April 2012.

The Standards Committee monitored performance of members, senior officers and the Council's Committees.

### **Standards**

Councillors have to abide by this Constitution, which includes a Code of Conduct in order to ensure high standards in the way they undertake their duties. The Council promotes excellence, probity and transparency in public services and provides training and advice for Councillors governance matters including the Code of Conduct.

The Localism Act 2011 (the Act) brought about a number of key changes to the Standards Regime operating in Local Authorities. Under the Act, Local Authorities remain under a statutory duty to promote and maintain high standards of conduct by their Councillors. In discharging this duty, the Council is still required to adopt it's own Code of Conduct (previously the content of the Code was prescribed by legislation). Oadby and Wigston Borough Council adopted the common Code of Conduct for Leicestershire Authorities which is set out in Part 5 of this Constitution together with the procedure for dealing with complaints about a Councillor's conduct.

The Act repealed the statutory requirements for the Council to have a Standards Committee. At the Council meeting on 25 February 2014 the Council agreed to disband the existing Standards Committee in view of the fundamental changes to the national Standards Regime. The Policy, Finance and Development Committee has taken on the responsibility for promoting and maintaining high standards of conduct and where a panel of Councillors is required to hear a complaint is allocated from the membership of the Policy, Finance and Development Committee on a rotational basis; the procedure for investigations will be carried out in accordance with the process set out in Part 5 of this Constitution.

**Scrutiny**

Oadby and Wigston Borough Council operates a committee style arrangement and therefore is not required by law to have a separate Scrutiny Committee to support and monitor the work of the Committees and Council. At the Council meeting on 25 February 2014 it was agreed that each Committee will scrutinise its own decisions as they are being debated and made in the public arena. If necessary a Task Group may be convened by the Council to deal with any specific matter.

**Corporate Plan**

The Council's decision making practices are guided by the values as set out in the 2014/15 Corporate Plan which is attached as an appendix and purely consolidates in a focus document the Council's previously agreed priorities and governance arrangements.

There will be a complete review of the Corporate Plan in 2014/15, including consultation ready for and to coincide with the election of the new Council in May 2015 when it will start its term of office and set out its vision for its four year administrative period of what it wants to achieve.

**Audit Committee Functions**

In 2013/14 the Policy, Finance and Development Committee and Internal Audit undertook the core functions identified in CIPFA publication: Audit Committee - Practical Guidance for Local Authorities. The Committee receives reports from the internal audit service and then ask questions at each meeting and can call upon Service Heads to attend meetings as appropriate. Reports from External Auditors are also received at these meetings.

**Policies, Procedures, Laws and Regulations**

The Council's statutory officers are the Chief Executive, the Section 151 Officer and the Monitoring officer. They are responsible for ensuring the Council acts within the law and in accordance with established policies and procedures. No report can be presented to Council or Committee for approval without first being reviewed by these officers or their delegated representative(s). These Officers are responsible for ensuring that legislation and policy relating to service delivery, health and safety are implemented in practice.

**Risk Management**

The Strategic Risk Management Group is an operational management group and co-ordinate risk management arrangements across the Council. Following recommendations from Internal Audit and the Strategic Risk Management group the Council's insurers, Zurich Municipal, were engaged to

update the Council's Risk Management Strategy, Procedures and Strategic Risk Register.

Risk management workshops are held on a regular basis with Members and Senior Management to provide training on risk management and to identify the key risks facing the Council's objectives. A revised Risk Management Strategy, Strategic Risk Register and further development plan were presented to Committee in October 2013. Further work was performed in 2014/15 informed by the development plan to further embed the appropriate processes, procedures and culture within the authority.

During 2014/15 the Strategic Risk Register was reported quarterly to the Committee. This register identified major risks and commented on their likelihood and impact on the Council's objectives. Each risk is allocated a responsible officer who is responsible for identifying an action plan and provides an update on residual risk for each quarter. Risk management is embedded in processes such as Capital Appraisals and Service Development Plans.

The Council awarded a new £10 million Leisure contract in 2014 to Sports and Leisure Management Limited (SLM) following a procurement exercise. The construction works for a new build swimming pool and gym facilities at Wigston and a new build swimming pool together with refurbished gym facilities at Parklands, Oadby is underway. The construction programme is monitored through the Project Liaison Group who meet formally on a monthly basis. The Group consists of representatives from SLM, the build contract Manager and officers of the Council, including a representative from Finance. A monthly report is considered by the group on the programme overview, works summary, inspections and finances for each site. A summary of the progress is reported to the Service Delivery Committee. In between these timetabled monthly meetings ad-hoc meetings take place as necessary. The works are progressing well.

### **Whistle blowing and Complaints**

The Council's Whistle Blowing Policy is available to all employees and those contracting with the Council. A corporate complaints procedure is in place which includes staged levels of escalation depending on the seriousness of the complaint.

### **Training and Development**

An induction programme is provided for all new Members and Officers. Member training is provided. A Member training programme exists throughout the Leicestershire & Rutland Improvement Partnership. In-house training is provided for Members which includes covering significant changes in Council business such as new legislation.

The skills and resources required by Statutory Officers are set out in Person Specifications. Rigorous recruitment processes are followed to appoint these

key posts. Responsibilities are reinforced through the Council's Constitution and development needs identified through employee development interviews.

### **Communication and Consultation**

Local people and stakeholders are engaged through the community strategy, resident forums, youth, senior citizens and multi-cultural groups. A programme of meetings is in place for these groups with agendas largely being set in conjunction with residents and other stakeholders. A number of public consultations have taken place in year on pertinent issues including Open Spaces, Blaby Road Park and residents of Boulter Crescent.

All meetings are held in public. There is a high level of interest in matters considered at the three Resident Forum meetings as evidenced by the high level of attendance. Minutes are produced of all meetings with action lists of issues raised to be reported back to the next meeting.

The Council communicates to residents through the Letterbox Newsletter which is circulated to all residents each quarter. Key documents such as the Corporate Plan, Statutory Accounts and Council Budget Book are published setting out achievements, performance and planned activity. Regular staff communication is achieved through the staff and management notice boards and regular briefings held by the Senior Management Team.

### **Partnerships**

The Council aims to fully exploit the opportunities for partnership working to ensure joined up service delivery and efficiency savings. Key partnerships involving the Council include the Community Safety and Crime and Disorder reduction partnerships for Oadby and Wigston. At County level the Council is involved in Leicestershire Together and works with other public sector providers to improve the wellbeing of residents of Leicestershire.

From an operational perspective the Council continues to pursue opportunities for joint work with other Councils. Some joint arrangements however have been terminated as they did not prove as effective as when they were originally introduced.

### **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the Senior Management Team and the results of the work of Internal Audit/External Audit and comments received from other review agencies/review inspectorates. The sections below set out how the Governance Framework has been maintained and reviewed up to the date of the approval of the Statement of Accounts.

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A review of the Council's Governance structure was presented to the Policy, Finance & Development Committee during 2013 and included a number of suggested amendments to the current organisation. These changes were partly implemented during 2013 with the remaining changes completed during 2014.

### **Current Governance Structure**

Oadby and Wigston has retained a Committee system. The vast majority of Councils operating use a cabinet system where a small group of councillors have been given the power to make the majority of decisions on behalf of all other councillors.

The benefits of the Committee system are that all councillors sit on a range of Committees and every member has a vote that counts every time. This is the cornerstone on which this Council is built in order that councillors do not feel marginalised from decision making. All decisions are debated and made during open committee in full public view. All Councillors and constituents can hear the full debate including the views of Ward councillors. Only urgent decisions are delegated to the Chair/Vice Chair which are then reported back to the full Committees at the earliest opportunity so all members are engaged. In addition to the statutory requirement to have a separate Council and distinct Development Control and Licensing Committees, the Council has two main Committees:

- The Policy, Finance and Development Committee which has overall responsibility for setting the long term aims of the Council and moving it forward in line with these objectives.
- The Service Delivery Committee which has the direct responsibility for the day-to-date operation of all services.

The Council's principal Committees have considered the following key areas in 2014/15.

### **Council**

- Budget proposals and budget monitoring
- Council Tax Base
- Council Tax Setting
- Council Tax Support
- Evolving Council Governance
- Delegated reports from Forums and Committees
- Equality and Diversity
- Voluntary Sector Funding
- Licensing Policy
- Pay Policy
- Members Allowances
- Members' Code of Conduct

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- Constitutional Review (Including Contract Procedure Rules and Financial Regulations)

### **Policy Finance and Development Committee**

- Individual internal audit reports and the annual report and plan
- Reports from the external auditor including annual plan and report on the Statement of Accounts
- Budgetary Control and financial updates
- Treasury Management and Prudential Indicators
- Welfare Reform and Council Tax Support
- Pooling of Non Domestic Rates
- Risk management reports and strategy
- Procurement Strategy
- Updating of Council policies and Strategies
- Medium Term Financial Strategy and Housing Business Plan and regular updates
- Review of Financial Regulations
- Leisure Procurement and Strategy

### **Service Delivery Committee**

- Greening the Borough
- Tenants Charter
- Choice Based Lettings
- Refuse and Recycling Operations
- Housing Business Plan
- Council Tax Support and Welfare Reform
- Disabled Facilities Grant
- Service Charters

### **Senior Management Team**

The Senior Management Team consisting of the Chief Executive, Director of Services and Chief Financial Officer are responsible for ensuring proper standards of internal control within the Council. At the end of each financial year Heads of Service complete a declaration to confirm that they have reviewed the systems within their areas of responsibility and have identified all areas where improvements are necessary.

Officer Governance arrangements were reviewed during 2014 and a new structure was developed and implemented during 2014/15.

### **External Audit**

The Council's external auditors are KPMG.

The external auditors review the Council's arrangements for:

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- Preparing accounts and compliance with statutory and other relevant requirements
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The Council has taken action where appropriate to respond to external audit recommendations.

### **Internal Audit**

Internal audit is responsible for the review of the systems of internal control and for giving an opinion on both corporate and service specific standards. From May 2012 following a competitive tender exercise the Coventry and Warwickshire Audit Services (CWAS) were awarded a three year internal audit contract. The Council and CWAS have developed a very good professional relationship. Because of this and the pressure of other work the Council have agreed to extend CWAS Internal Audit contract to 31 March 2016. The Council will initiate a full procurement process during 2015.

The annual audit plan for 2014/15 has been completed apart from a few minor audits which were agreed by Senior Management Team to be deferred until 2015/16. Details of the findings for each individual audit have been reported to the Council's Senior Management Team and then to the Policy, Finance and Development Committee.

The Chief Financial Officer/Section 151 Officer reviewed the effectiveness of internal audit through the quality of recommendations and audit reports and subsequent comments made by the Committee on audit findings. The Annual Audit Plan for 2014/15 was approved by the Policy, Finance and Development Committee in March 2014.

The Internal Audit Annual Opinion Report for 2014/15 provided a year end opinion on the Council's internal control framework. The report stated that "The overall opinion is that significant assurance can be given that there is generally a sound system of internal control designed to meet the organisation's objectives and that controls have generally been applied consistently." However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

The basis for forming the internal audit opinion is as follows:

- An initial assessment of the design and operation of the underpinning risk management framework and supporting processes
- An assessment of the range of individual opinions arising from risk based audit assessments contained within internal audit risk based plans that have been reported throughout the year. This assessment

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has taken account of the relative materiality of these areas of the management's progress in respect of addressing control weaknesses

- Any reliance that has been placed on third party assurances.

During the course of the year Internal Audit undertook work to provide assurance over financial governance and operational systems:

- During the year Internal Audit undertook reviews of the Council's core financial systems (including financial management including ledger and financial transactions) and gave full or significant assurance with regard to the management of risk in these areas
- Internal Audit also undertook work on areas of principal risk. In general internal audit were able to conclude that these systems are robust and operating in good controlled environments.

It is the view of Internal Audit taking an account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented that the Council generally has sound systems of internal control.

However, Internal Audit highlighted during the year Significant Internal Control issues that they considered would require disclosure within the AGS. These are set out below:

- Street Cleaning/Grounds Maintenance – this review provided 'limited assurance' and highlighted a number of areas for improvement in managerial processes and controls to ensure the effective and efficient delivery of these services.
- Void Housing Property Repairs – this review provided 'moderate assurance' and highlighted a number of control improvements needed, the key areas relating to inadequate monitoring of void spend and lack of reporting and monitoring of void turnaround performance.
- 2013/14 review on Health & Safety – this review reported in June 2014 provided 'limited assurance' and highlighted issues relating to health and safety policies, risk assessments, training and corporate support.
- 2013/14 review on Payroll and Expenses – this review reported in June 2014 provided 'limited assurance' and highlighted the following key areas:
  - There is no signed SLA with the payroll provider. Further, the current unsigned agreement makes no reference to the monitoring of performance by the service provided.
  - There is no independent reconciliation of the payroll of Human Resources Establishment Lists.
  - Instances of non-compliance with payroll procedures.
  - There is no periodic production and review of control and exception reports.
  - Checks are not undertaken to confirm the completeness and accuracy of the payroll before it is released.



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## ANNUAL GOVERNANCE STATEMENT

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It must be stressed that Management has since provided assurances – through the Council's recommendation tracking process – that all due agreed actions have been implemented. See the note below further in relation to payroll

In relation to Significant Internal Control Issues that Internal Audit referred to in their 2013/14 HoIA opinion, with regard to Housing Responsive Repairs in their follow-up in late 2013/14 noted that certain areas still needed to be dealt with; they reported again to management on this matter and revised actions and timescales for action were agreed. Management has since provided assurances – through the recommendation tracking process – that all due agreed actions have been implemented. Internal Audit's planned review on this matter for 2014/15 has been deferred into 2015/16 at management request.

Internal Audit also noted in their 2013/14 opinion that "recent reviews on Health & Safety and on Payroll and Expenses have highlighted some potentially significant matters; formal reports on these subjects have not yet been agreed with management, however. Any Significant Control Issues arising will be reported in due course." Subsequently internal audit reports giving 'limited assurance' opinions were agreed with management and action plans put in place by management to address the areas highlighted. Further detail is given above. Internal Audit's planned payroll review for 2014/15 has been delayed at management request to June 2015 at the earliest and accordingly is not complete, thus they were unable to give a revised assurance opinion on this system following the 'limited assurance' opinion provided in 2013/14.

Internal Audit also noted that several other planned reviews have been delayed at management request or deferred and included in the 2015/16 internal audit plan and they have accordingly not reflected an assurance opinion on these reviews in their annual opinion report. Given the delivery of the bulk of the work planned for 2014/15, covering a range of fundamental control systems Internal Audit do not consider that this prevents the provision of their annual opinion.

**ANNUAL GOVERNANCE STATEMENT**

**Significant Governance Issues**

Significant Control Issues	Sources	Action Plan
Prior Year Follow Up Actions		
<p><u>Street Cleaning and Grounds Maintenance</u></p> <p>There are a number of areas in the management process and controls which require improvement to ensure the effective and efficient delivery of these services.</p>	<p>Internal Audit Report 2014/15</p>	<ul style="list-style-type: none"> <li>• All processes have been documented and safe systems of work produced.</li> <li>• Daily work sheets are returned, signed by the operatives to the foremen who note any issues raised, update records and carry out spot checks.</li> <li>• HR are pursuing harmonisation of contracts for depot staff. Issues remain with a co-ordinated approach to fly tipping, graffiti, etc due to the lack of trained and experienced staff in other sections. When resources are in place the processes will be mapped, streamlined and documented.</li> <li>• Now all entered onto "Uniform" IT system enabling performance to be tracked and reports produced.</li> <li>• The situation has been examined and there are no significant areas for income generation, this has been accepted by audit.</li> </ul>
<p><u>Void Housing Property Repairs</u></p> <p>There were a number of control improvements needed to key areas relating to inadequate monitoring of void spend and lack of reporting and of monitoring of void turnaround time.</p>	<p>Internal Audit Report 2014/15</p>	<ul style="list-style-type: none"> <li>• The budget is monitored at present but changes to the system are arising as a result of the creation of the CSC. This requires further work to ensure that processes are robust and staff are clear about roles.</li> </ul>

**ANNUAL GOVERNANCE STATEMENT**

		<ul style="list-style-type: none"> <li>• Calculation of average cost per property is not a meaningful measure as the number is small each year and consequently the average can vary substantially. A better way of measuring predictability of cost and cost trend is being considered.</li> <li>• The time that the property is unavailable for letting is to be monitored rather than the previous time from one tenancy to the commencement of another. This will be a far more meaningful measure in terms of void management as properties that are hard to let distort the current data.</li> </ul>
<p><u>Health and Safety</u></p> <p>Issues were raised regarding the health and safety policies, training risk assessments and corporate support.</p>	<p>Internal Audit Report 2013/14</p>	<ul style="list-style-type: none"> <li>• A consultant H&amp;S advisor was appointed in May. He worked to address all issues raised in the audit until the end of August when he resigned without warning or notice.</li> <li>• Action for breach of contract is being considered.</li> <li>• Interim arrangements for additional resources are being put in place to pick up the work that has been commenced.</li> <li>• Some training has been undertaken with a priority being given to fire safety and conflict management.</li> <li>• Recruitment of a permanent post holder is also underway.</li> </ul>

**ANNUAL GOVERNANCE STATEMENT**

<u>Payroll and Expenses</u>	Internal Audit Report 2013/14	
<p>The following issues were raised in key areas;</p> <ul style="list-style-type: none"> <li>• There is no signed SLA with the payroll provider.</li> <li>• There is no reference to the monitoring of performance by the service provider.</li> <li>• Instances of non compliance with payroll procedures.</li> <li>• No periodic production and review of control and exception.</li> <li>• Checks are not undertaken to confirm the completeness and accuracy of the payroll before it is released.</li> </ul>		<ul style="list-style-type: none"> <li>• Contract under review and amendments proposed</li> <li>• Amendments proposed include monitoring arrangements.</li> <li>• Independent reconciliation carried out in Finance</li> <li>• Procedures clarified and staff made aware.</li> <li>• Performance issues being taken up with the provider and alternative supplier options being investigated.</li> <li>• Checks being carried out by both HR and Finance</li> </ul>

Mark Hall

John W. Boyce

Date 22 September 2015

Chief Executive

Leader of the Council

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## **GLOSSARY OF TERMS**

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For the purposes of the Code of Practice the following definitions have been adopted:

### **ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) Recognising,
- (ii) Selecting measurement bases for, and
- (iii) Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

### **ACQUIRED OPERATIONS**

Operations comprise services and divisions of service as defined in the Best Value Accounting Code of Practise. Acquired operations are those operations of the local authority that are acquired in the period.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) the actuarial assumptions have changed.

### **ASSETS HELD FOR SALE**

Assets which are being marketed for sale for sale in their current condition.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **CLASS OF NON CURRENT ASSETS**

The classes of non current assets required to be included in the accounting statements are:

### **Operational assets**

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Community assets
- Intangible assets

### **Non-operational assets**

- Investment properties
- Heritage Assets
- Assets under construction
- Assets held for sale

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

### **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks, cemeteries and allotments.

### **CONSISTENCY**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **CONSTRUCTIVE OBLIGATION**

An obligation that derives from an authority's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

**CONTINGENT LIABILITY**

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have

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## GLOSSARY OF TERMS

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sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### **DISCONTINUED OPERATIONS**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- (a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- (b) the activities related to the operation have ceased permanently;
- (c) the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- (d) the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

### **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.



**ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses, and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXPECTED RATE OF RETURN ON PENSIONS ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

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### **FINANCE LEASE**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

### **GENERAL FUND**

The main revenue account of the Council covering all services apart from housing landlord functions.

### **GOING CONCERN**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

### **GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

### **HERITAGE ASSETS**

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Examples of heritage assets are historical buildings, civic regalia, and antiques.

### **IMPAIRMENT**

A reduction in the fair value of a fixed asset below its carrying amount on the Balance Sheet. Destruction or damage to fixed assets will result in an impairment.

### **INTANGIBLE ASSETS**

Assets that have no physical substance, primarily intellectual property. The most common examples for local authority purposes are computer software licenses.

### **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

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### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Accounting Standards now applicable to local authorities from 2010/11 onwards, replacing the UK GAAP regime.

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings:

- (a) in respect of which construction work and development have been completed; and
- (b) which is held for its investment potential, any rental income being negotiated at arm's length.

### **INVESTMENTS (PENSIONS FUND)**

The investment of the pensions fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **LIQUID RESOURCES**

Current asset investments that are readily disposable by the authority without disrupting its business and are either; readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

### **LONG-TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

### **NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

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## **GLOSSARY OF TERMS**

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### **NET DEBT**

The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

### **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **NON CURRENT ASSETS**

Non-current assets that yield benefits to the local authority and the service it provides for a period of more than one year.

### **NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include; investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incident of rental income does not necessarily mean that the asset is an investment property, it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arms length.

### **OPERATING LEASES**

A lease other than a finance lease.

### **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

### **PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in the prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- (b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

**RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- (i) central government;
- (ii) local authorities and other bodies precepting or levying demands on the council tax;
- (iii) its subsidiary and associated companies;
- (iv) its joint ventures and joint venture partners;
- (v) its members;
- (vi) its chief officers; and
- (vii) its pension fund.

Examples of related parties of a pension fund include its:

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- (i) administering authority and its related parties;
- (ii) scheduled bodies and their related parties; and
- (iii) trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) members of the close family, or the same household; and
- (ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

### **RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- (i) the purchase, sale, lease, rental or hire of assets between related parties;
- (ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services;
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

### **REMUNERATION**

All sums paid to or receivable by employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. Pension contributions payable by the employer are excluded.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**SETTLEMENT**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pensions benefits
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

**STOCKS**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;

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- (d) products and services in intermediate states of completion;
- (e) long-term contract balances; and
- (f) finished goods.

### **USEFUL LIFE**

The period over which the local authority will derive benefits from the use of fixed assets.

### **VESTED RIGHTS**

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;
- (c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.