

1. Accounting Standards Issued but not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below. A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does not have any subsidiaries.

IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.

IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has no material arrangements with such entities.

IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

IAS 1 Presentation of the Financial Statements – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The items in the Council's Balance Sheet at 31 March 2014 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>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 1st April 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 £44k on General Fund Property and £17k 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	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are made by actuaries appointed by Leicestershire County Council who administer the pension fund.	The effect on net pensions of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> • A decrease in the discount rate assumption would result in an increase in pension liability. • A one year increase in member life expectancy would result in an increase in pension liability. • An increase in the pension increase rate would result in an increase in pension liability.
Arrears	At 31 March 2014, the Council had a balance of £0.37m for sundry debtors. A review of balances suggested that an impairment of doubtful debts of £0.14m was appropriate.	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.

3. Events after the Reporting Period

A new contractor took over the management of Parklands leisure centre, Oadby swimming pool and Wigston swimming pool at 1 April 2014. As part of this new arrangement there is to be a major reconstruction and refurbishment of all of these facilities. The exact details of the design and build element of these arrangements have yet to be finalised. It is not possible to estimate the impact on the valuation of the previously mentioned non-current assets.

Additionally, Wigston swimming pool was subject to fire damage in May 2014. The cost of remedial work was not assessed but insurance cover was in place.

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

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	£000's	Earmarked Reserve	Capital Receipts Reserve	£000's
		£000's	£000's	£000's	£000's	£000's	£000's

Adjustments primarily involving the Capital Grants Unapplied Account:

Application of grants to capital financing transferred to Capital Adjustment Account	(286)	0	0	0	0	0	286
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Adjustments primarily involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(414)	0	414	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(36)	0	36
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal	4	0	0	0	(4)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	124	0	0	0	(124)	0	0

Adjustments involving the Major Repairs Reserve:

Reversal of Major Repairs Allowance credited to the HRA	0	0	(750)	750	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(638)	0	0	638

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	(2)	0	0	0	0	0	2
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NOTES TO THE CORE FINANCIAL STATEMENTS

General Fund Balance	Usable Reserves					Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	£000's	£000's	£000's	£000's
	1,354	0	202	0	0	0	0	(1,556)
	(702)	0	(105)	0	0	0	0	807
	92	0	0	0	0	0	0	(92)
	8	0	4	0	0	0	0	(12)
Total Adjustments	1,940	0	152	(392)	250	0	1,950	

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 Comparative Figures

Restated

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
 Revaluation losses on Property, Plant and Equipment
 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

Adjustments primarily involving the Capital Grants

Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement
 Application of grants to capital financing transferred to the Capital Adjustment Account

General Fund Balance £000's	Usable Reserves				Movement in Unusable Reserves	
	Deferred Capital Receipts £000's	Housing Revenue Account £000's	Earmarked Reserves £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	£000's
1,631	0	1,217	0	0	0	(2,848)
0	0	0	0	0	0	0
110	0	2	0	0	0	(112)
173	0	0	0	0	0	(173)
130	0	342	0	0	0	(472)
(230)	0	0	0	0	0	230
0	0	0	(237)	0	0	237
(817)	0	0	0	0	817	0
0	0	0	0	0	(817)	817

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 Comparative Figures

Restated

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

	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
	(161)	0	(185)	0	346	0	0
	0	0	0	0	(23)	0	23
	5	0	0	0	(5)	0	0
	108	0	0	0	(108)	0	0
	0	0	(709)	709	0	0	0
	0	0	0	(518)	0	0	518
	5	0	0	0	0	0	(5)

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 Comparative Figures

Restated

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

General Fund Balance	Usable Reserves					Movement in Unusable Reserves
	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
£000's	£000's	£000's	£000's	£000's	£000's	£000's
1,593	0	162	0	0	0	(1,755)
(977)	0	(108)	0	0	0	1,085
11	0	0	0	0	0	(11)
(5)	0	(2)	0	0	0	7
1,576	0	719	(46)	210	0	(2,459)

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 2013/14. In addition where the Council has received grants with conditions attached to them they are transferred to a specific earmarked reserve.

	2012/13			2013/14			
	Balance 1 April 2012 £000's	Transfer In/(Out) Fund £000's	(To)/From Other Reserves £000's	Balance 31 March 2013 £000's	Transfer In/(Out) Fund £000's	(To)/From Other Reserves £000's	Balance 31 March 2014 £000's
General Fund							
Earmarked Reserves							
Job Evaluation / Equal							
Pay Reserve	88	(88)	0	0	0	0	0
Special Projects	795	(795)	0	0	0	0	0
Budget Carried Forward							
Reserve	0	56	0	56	(26)	0	30
Capital Reserve	337	(323)	0	14	10	0	24
Software							
Implementation	12	100	(70)	42	0	(34)	8
Operations Reserve	30	0	0	30	0	0	30
Plant and Machinery							
Reserve	77	0	0	77	0	(15)	62
Service Improvement							
Reserve	200	(100)	(50)	50	0	0	50
Council Priority Reserve	73	0	0	73	0	0	73
Welfare Reform	0	75	0	75	0	0	75
Troubled Families	0	47	0	47	(23)	0	24
Disabled Facilities	0	441	(166)	275	0	(268)	7
ERDF Schemes	0	150	0	150	0	0	150
Greening the Borough	0	334	(150)	184	0	0	184
Active Asset							
Management	0	350	0	350	0	0	350
Contingency	0	0	200	200	0	0	200
Management of Change	0	0	300	300	0	0	300
Weekly Collection							
Support Scheme	0	122	0	122	1,235	(187)	1,170
Budget Equilibrium	0	0	0	0	200	0	200
Income Profiling	0	0	0	0	150	0	150
Total General Fund							
Earmarked Reserves	1,612	369	64	2,045	1,546	(504)	3,087

NOTES TO THE CORE FINANCIAL STATEMENTS

	2012/13			2013/14			
	Balance 1 April 2012	Transfer In/(Out) Fund	(To)/From Other Reserves	Balance 31 March 2013	Transfer In/(Out) Fund	(To)/From Other Reserves	Balance 31 March 2014
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Grants							
Grounds Maintenance Reserve	234	0	0	234	0	0	234
Housing and Planning Delivery Grant Reserve	271	(78)	0	193	(17)	0	176
Earmarked Grants Reserve	389	68	0	457	85	0	542
Total General Fund Grants	894	(10)	0	884	68	0	952
 Total General Fund	 2,506	 359	 64	 2,929	 1,614	 (504)	 4,039
 HRA							
Regeneration Reserve	0	500	0	500	0	0	500
Major Repairs Reserve	122	133	190	445	455	112	1,012
Total HRA	122	633	190	945	455	112	1,512
 Grand Total	 2,628	 992	 254	 3,874	 2,069	 (392)	 5,551

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.

Job Evaluation / Equal Pay	Monies set aside to pay for any changes in salaries resulting from appeals against job evaluation or on equal pay grounds.
Housing and Planning Delivery Grant	Contains the remaining proceeds of this Central Government funding for future housing and planning projects.
Special Projects	Funds for major projects of either a revenue or capital nature that have been put aside to expand leisure service and other Council priorities.
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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital	Monies put aside specifically for use to fund capital projects.
Software Implementation	Monies put aside specifically for funding ICT software improvements.
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 Assets 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

6. Material Items of Income and Expenditure

In 2013/14 the Council received £1,340,000 in government grant for supporting weekly collections of refuse and recycling.

7. Other Operating Expenditure

	2013/14 £000's	2012/13 £000's
(Gains)/Loss on Disposal of Non-current Assets	(68)	(101)
Loss on De-recognition of Fixed Assets *	30	228
Contribution to Housing Pooled Capital Receipts	124	107
Total	86	234

* De-recognition relates to components of various housing assets which have been replaced and therefore de-recognised in year.

8. Financing and Investment Income and Expenditure

	2013/14 £000's	2012/13 Restated £000's
Interest Payable and Similar Charges	594	595
Interest and Investment Income	(58)	(83)
Pension Interest Costs and Expected Return on Pension Assets	759	678
Total	1,295	1,190

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Taxation and Non Specific Grant Income and Expenditure

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
General Government Grants	(2,063)	(112)
Council Tax Income	(3,326)	(3,812)
Collection Fund (Surplus)/Deficit - Council Tax	(17)	(19)
Non-domestic Rates Income	(4,367)	(3,094)
Non-domestic Rates Tariff Payment	3,380	0
Non-domestic Rates Safety Net	(61)	0
LLP Share of Surplus (Pool)	(10)	0
S31 Small Business Rate Relief	(198)	0
Capital Grants and Contributions	(286)	0
New Homes Bonus	(188)	(79)
Total	<u>(7,136)</u>	<u>(7,116)</u>

10. Property, Plant and Equipment

Cost or Valuation

	Council Dwellings	Other Land & Buildings	Vehicles, plant etc.	Community Assets	Total Assets
	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2012	37,679	18,444	3,290	2,511	61,924
Additions	518	39	90	807	1,454
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	1,330	(559)	0	(37)	734
Revaluation Increases / (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(509)	(74)	0	(595)	(1,178)
Derecognition-Disposals	(115)	0	(129)	0	(244)
Derecognitions-Other	(228)	0	(32)	0	(260)
Balance at 31 March 2013	38,675	17,850	3,219	2,686	62,430
 Balance at 1 April 2013	 38,675	 17,850	 3,219	 2,686	 62,430
Additions	638	88	296	335	1,357
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	2,860	386	0	(61)	3,185
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(740)	(140)	0	(282)	(1,162)
Derecognition - Disposals	(366)	0	(10)	0	(376)
Derecognition - Other	0	0	(31)	0	(31)
Balance at 31 March 2014	41,067	18,184	3,474	2,678	65,403

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation and Impairment

	Council Dwellings	Other Land & Buildings	Vehicles, plant etc.	Community Assets	Total Assets
	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2012	0	0	2,292	0	2,292
Depreciation Charge	657	682	309	22	1,670
Depreciation Written Out to the Revaluation Reserve	(657)	(682)	0	(22)	(1,361)
Derecognition-Disposals	0	0	(32)	0	(32)
Derecognitions-Other	0	0	0	0	0
Balance at 31 March 2013	0	0	2,569	0	2,569
Balance at 1 April 2013	0	0	2,569	0	2,569
Depreciation Charge	690	671	250	19	1,630
Depreciation Written Out to the Revaluation Reserve	(690)	(671)	0	(19)	(1,380)
Derecognition-Disposals	0	0	(31)	0	(31)
Balance at 31 March 2014	0	0	2,788	0	2,788

	2013/14			2012/13		
	Net Book Value	Nature of Asset Holding Finance Lease	Owned	Net Book Value	Nature of Asset Holding Finance Lease	Owned
	£000's	£000's	£000's	£000's	£000's	£000's
Council Dwellings	41,067	0	41,067	38,675	0	38,675
Other Land & Buildings	18,184	0	18,184	17,850	0	17,850
Community Assets	2,678	0	2,678	2,686	0	2,686
Vehicles, Plant etc	686	54	632	650	10	640
Total	62,615	54	62,561	59,861	10	59,851

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 20 years
- iii) Vehicles Plant and Equipment - 5 to 10 years

Capital Commitments

At the 31 March 2014 the Council was negotiating two major capital works contracts. These contracts were entered into after 1 April 2014 and are detailed below.

	2013/14 £000's
Redevelopment of Boulter Crescent Housing Estate	4,096
Redevelopment of the Borough Leisure Facilities	10,000

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation of Assets

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31 March 2014 by an external independent valuer, Chesterton Humberts, 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>2013/14</u>	<u>2012/13</u>
	<u>£000's</u>	<u>£000's</u>
Balance at 1 April	40	20
Additions	0	20
Balance at 31 March	<u>40</u>	<u>40</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Rental Income from Investment Property	(16)	(16)
Direct Operating Expenses Arising from Investment Property	0	0
Net Gain/(Loss)	<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.

2013/14 has seen no change in the fair value of the Council's investment properties as follows:

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Balance at 1 April	206	133
Revaluations	2	73
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2)	0
Balance at 31 March	<u>206</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

	2013/14	2012/13
	£000's	£000's
Balance at 1 April	647	555
Additions	41	92
Balance at 31 March	688	647

Depreciation and Impairment of Software

	2013/14	2012/13
	£000's	£000's
Balance at 1 April	460	348
Amortisation for the Year	101	112
Balance at 31 March	561	460

Net Book Value

	Balance as at 31 March 2014	Balance as at 31 March 2013
	£000's	£000's
Software	127	187

14. Debtors

Amounts falling due in one year are:

	2013/14	2012/13
	£000's	£000's
Central Government Bodies	248	449
Other Local Authorities	187	116
Other Entities and Individuals	809	887
Total	1,244	1,452

Amounts falling due after one year are:

	2013/14	2012/13
	£000's	£000's
Voluntary Organisation Loans	2	2
Car Loans to Employees	29	27
Other Long Term Debtors	0	4
	31	33

NOTES TO THE CORE FINANCIAL STATEMENTS

15. Investments

The Council's investments are detailed below.

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Long Term Investments (Greater than 1 year)	2	2
Short Term Investments (Less than 1 year)	6,014	6,512
	<u>6,016</u>	<u>6,514</u>

16. Asset Held for Sale

The Council has no assets held for sale at 31 March 2014

17. Inventories

	Consumable Stores		Maintenance Materials		Recyclates		Total	
	<u>2013/14</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance Outstanding at Start of Year	16	20	11	15	39	40	66	75
Purchases	224	211	31	16	379	390	634	617
Recognised as an Expense in the Year	<u>(225)</u>	<u>(215)</u>	<u>(29)</u>	<u>(20)</u>	<u>(383)</u>	<u>(391)</u>	<u>(637)</u>	<u>(626)</u>
Balance Outstanding at End of Year	<u>15</u>	<u>16</u>	<u>13</u>	<u>11</u>	<u>35</u>	<u>39</u>	<u>63</u>	<u>66</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Cash and Cash Equivalent and Bank Overdrawn

Cash and Cash Equivalents	31 March 2014	31 March 2013
	£000's	£000's
Short-term Deposits	2,170	766
	<u>2,170</u>	<u>766</u>
Bank Overdrawn	31 March 2014	31 March 2013
	£000's	£000's
Cash Held by the Authority	4	3
Bank Current Accounts	(360)	(65)
	<u>(356)</u>	<u>(62)</u>

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 2014 was 0.50% (0.75% as at 31 March 2013).

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

	2013/14	2012/13
	£000's	£000's
Central Government Bodies	187	398
Other Local Authorities	405	59
Other Entities and Individuals	1,704	1,605
Total	<u>2,296</u>	<u>2,062</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Provisions

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

Expected Timing of Cash Flows:

To 31 March 2015	0	52	0	52
Total	0	52	0	52

	Termination Payments 2012/13	Accumulated Absence 2012/13	Insurance Arrangement 2012/13	Total 2012/13
	£000's	£000's	£000's	£000's
Balance B/Fwd	285	45	0	330
Arising during the year	14	39	45	98
Used during the year	(259)	(45)	0	(304)
Balance C/Fwd	40	39	45	124
Current Provision	40	39	45	124
	40	39	45	124

Expected Timing of Cash Flows:

To 31st March 2014	40	39	45	124
Total	40	39	45	124

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The provision for termination payments relates to payments that were probable at 31st March 2014 for those individuals impacted by the Council's restructure. These payments are expected to occur in 2014/15.

An insurance arrangement provision in 2012/13 had been set aside in relation to a levy rate of 15%, following the triggering of Municipal Mutual Insurance's scheme of arrangement. The actual levy notice was paid during the 2013/14 financial year.

21. Capital Grants and Contributions - Receipts in Advance

	2013/14	2012/13
	£ 000's	£ 000's
Grants and Contributions		
Big Lottery Grant - Toy library	5	5
Big Lottery Grant - Mobile library	1	1
Section 106 South Wigston Regeneration	184	184
Section 106 Environmental Facilities	0	1
South Wigston Regeneration - Interest	306	307
Section 106 - Open Space	353	485
Green Roof Bus Shelter	6	6
Blaby Road Footpath	0	35
DECC Grant	11	0
Total	866	1,024

22. Movements on Reserves

	Balance At 1st April 2012 £000's	Net Movement in Year £000's	Balance At 31st March 2013 £000's	Net Movement in Year £000's	Balance At 31st March 2014 £000's
Earmarked Reserves (Note 5)	(2,628)	(1,246)	(3,874)	(1,677)	(5,551)
Other Usable Reserves					
Usable Capital Receipts Reserve	(245)	(210)	(455)	(250)	(705)
Capital Grants Unapplied Reserve	(30)	0	(30)	0	(30)
Deferred Capital Receipts - General Fund	(3)	0	(3)	0	(3)
Deferred Capital Receipts - Housing Revenue Account General Fund	(1)	1	0	0	0
General Fund	(1,080)	350	(730)	(161)	(891)
Housing Revenue Account	(417)	(610)	(1,027)	(870)	(1,897)
	(4,404)	(1,715)	(6,119)	(2,958)	(9,077)

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance At 1 April 2012 £000's	Net Movement in Year £000's	Balance At 31 March 2013 £000's	Net Movement in Year £000's	Balance At 31 March 2014 £000's
Unusable Reserves					
Collection Fund Adjustment Account	(43)	11	(32)	92	60
Pensions Reserve	14,044	2,877	16,921	3,505	20,426
Revaluation Reserve	(6,111)	(1,951)	(8,062)	(3,184)	(11,246)
Capital Adjustment Account	(31,555)	1,542	(30,013)	456	(29,557)
Financial Instruments Adjustment Account	5	5	10	(3)	7
Accumulated Absences Reserve	46	(8)	38	14	52
	(23,614)	2,476	(21,137)	880	(20,258)
Total	(28,017)	761	(27,256)	(2,078)	(29,335)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	<u>2013/14</u> <u>£000's</u>	<u>2012/13</u> <u>£000's</u>
Balance as at 1 April	30,013	31,555
Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(2,054)	(2,848)
Amortisation of intangible assets	(102)	(112)
Revenue expenditure funded from capital under statute	(272)	(173)
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	(376)	(472)
	<u>(2,804)</u>	<u>(3,605)</u>
Adjusting amounts written out of the Revaluation Reserve	643	238
Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year	27,852	28,188
Capital financing applied in the year		
Use of Capital Receipts Reserve to finance new capital expenditure	36	23
Use of Major Repairs Reserve to finance new capital expenditure	638	518
Application of grants to capital financing from the Capital Grants Unapplied Account and other Reserves	789	1,054
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	234	230
Capital expenditure charged against the General Fund and HRA balances	8	0
	<u>1,705</u>	<u>1,825</u>
Balance 31 March	<u>29,557</u>	<u>30,013</u>

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	<u>2013/14</u>	<u>2012/13</u>
	<u>£000's</u>	<u>£000's</u>
Balance as at 1 April	8,062	6,111
Upward revaluation of assets	3,925	2,783
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	<u>(98)</u>	<u>(594)</u>
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	3,827	2,189
Amount written off to the Capital Adjustment Account	<u>(643)</u>	<u>(238)</u>
Balance 31 March	<u>11,246</u>	<u>8,062</u>

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14	2012/13 Restated
	£000's	£000's
Balance at 1 April	(16,921)	(14,044)
Prior Year adjustment 2012/13	38	0
Remeasurements of the net defined benefit liability/(asset)	(2,794)	(2,207)
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.	(1,556)	(1,755)
Employer's Pension Contributions and direct payments to the pensioners payable in the year.	807	1,085
Balance at 31 March	(20,426)	(16,921)

26. Cash Flow Statement - Investing Activities

	2013/14	2012/13
	£000's	£000's
Purchase of Property Plant and Equipment	1,399	1,545
Proceed of the Sale of Property Plant and Equipment	(414)	(346)
Other Receipts from Investing Activities	(127)	(108)
Net Change in Investments	(500)	2,000
Total Investing Activities	358	3,091

27. Cash Flow Statement - Financing Activities

	2013/14	2012/13
	£000's	£000's
Cash Receipts from Long and Short Term Borrowing	2,500	(2,500)
Repayments of Short Term and Long Term Borrowing	16	517
Appropriation to/from the Collection Fund Adjustment Account	93	10
Other Payments for Financing Activities	(45)	861
Total Financing Activities	2,564	(1,112)

28. Net Movement in Liquid Resources

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

	As at 31st March 2014 £000's	As at 31st March 2013 £000's	Increase/ (Decrease) in Year £000's
Money Market	8,170	7,266	904
Short Term Deposits	8,170	7,266	904

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	As At 31/03/2014 £000's	As At 31/03/2013 £000's
Net Movement in other Liquid Resources	297	861

29. Operating and Finance Leases

Operating Lease

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

2013/14				2012/13
Golf Course £000's	Vehicles £000's	Other Equipment £000's	Total £000's	Total £000's
23	145	4	172	285

At 31 March 2014 the Council had commitments in respect of operating leases for future years as shown below.

	Golf Course £000's	Vehicles £000's	Other Equipment £000's	Total £000's
Less than 1 year	0	117	8	125
Between 1 and 5 years	0	111	5	116
Total	0	228	13	241

As at 31st March 2013	Golf Course £000's	Vehicles £000's	Other Equipment £000's	Total £000's
Less than 1 year	23	130	4	157
Between 1 and 5 years	23	186	5	214
Total	46	316	9	371

Finance Leases

During 2013/14 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 £53,547 at 31 March 2014 (£10,278 as at 31 March 2013).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Minimum Lease Payments	2013/14	2012/13
	£000's	£000's
Amounts Payable under Finance Leases		
Within One Year	16	8
Between One and Five Years	56	0
Less Future Finance Charges	(11)	(1)
Present Value of Minimum Lease Payments	61	7
Included in:		
Current Liabilities	14	7
Non-current Liabilities	47	0
Total	61	7

The total future minimum lease payments amount to £71,566 which includes future rental cost of £60,241 at 31 March 2014.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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)
Total Income	(300)	(7,669)	(10,449)	(87)	(18,505)
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
Total Expenditure	729	9,106	12,788	117	22,740
Net Expenditure	429	1,437	2,339	30	4,235

2012/13 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	(275)	(6,038)	(982)	(85)	(7,380)
Government Grants	0	(356)	(12,584)	(1)	(12,941)
Total Income	(275)	(6,394)	(13,566)	(86)	(20,321)
Employee Expenses	494	2,936	1,964	52	5,446
Support Service Recharges	146	414	638	47	1,245
Depreciation	1	1,562	208	0	1,771
Other Service Expenses	127	4,255	13,286	16	17,684
Total Expenditure	768	9,167	16,096	115	26,146
Net Expenditure	493	2,773	2,530	29	5,825

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.

	2013/14 £000's	2012/13 £000's
Net expenditure in the Committee Analysis	4,235	5,825
Amounts in the Comprehensive Income and Expenditure Statement not Reported to Management in the Analysis	512	610
Cost of Services in Comprehensive Income and Expenditure Statement	4,747	6,435

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	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)
Total Income	(18,505)	87	(18,418)	(7,194)	(25,612)
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)
Total Expenditure	22,740	425	23,165	1,439	24,604
(Surplus) or Deficit on the Provision of Services	4,235	512	4,747	(5,755)	(1,008)

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 Comparative Figures Restated	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	(7,380)	0	(7,380)	0	(7,380)
Interest and Investment Income	0	0	0	(85)	(85)
Income from Council Tax	0	0	0	(3,812)	(3,812)
Government Grants and Contributions	(12,941)	(822)	(13,763)	(3,305)	(17,068)
Total Income	(20,321)	(822)	(21,143)	(7,202)	(28,345)
Employee Expenses	5,446	0	5,446	0	5,446
Support Service Recharges	1,245	0	1,245	0	1,245
Non Distributed Costs	0	254	254	0	254
Depreciation, Amortisation and Impairment	1,771	1,178	2,949	0	2,949
Interest Payments	0	0	0	597	597
Payments to Housing Capital Receipts Pool	0	0	0	108	108
Other Service Expenses	17,684	0	17,684	0	17,684
Pension Interest Costs and Return on Pension Assets	0	0	0	678	678
Gain or Loss on Disposal of Fixed Assets	0	0	0	127	127
Total Expenditure	26,146	1,432	27,578	1,510	29,088
(Surplus) or Deficit on the Provision of Services	5,825	610	6,435	(5,692)	743

31. Members Allowances

In 2013/14 the Council paid allowances to Members totalling £175,559 (2012/13 £169,904).

32. Audit Costs

In 2013/14 Oadby and Wigston Borough Council incurred the following fees relating to external audit and inspection:

NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Fees payable to the Council's auditors with regard to external audit services carried out by the appointed auditor	57	51
Fees payable to the Council's auditors for the certification of grant claims and returns	10	40
	<u>67</u>	<u>91</u>

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>2013/14</u>	<u>2012/13</u>
	Payments £000's	Payments £000's
Leicestershire County Council	335	289
Leicestershire County Council, Pension Fund	807	1,085
Leicestershire County Council - Year End Debtor	32	51
Leicestershire County Council - Year End Creditor	7	100
Leicestershire Police Authority	9	0
	Precepts £000's	Precepts £000's
Leicestershire County Council	21,740	19,100
Leicestershire Police	2,818	3,124
Leicestershire and Rutland Fire Authority	946	959
	<u>26,694</u>	<u>24,708</u>

In 2013/14 the Council received a number of Government grants. These have been listed in notes 9 and 37 in the accounts.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14		2012/13	
	Receipts	Payments	Receipts	Payments
	£000's	£000's	£000's	£000's
Leicestershire County Council:				
Safer Communities Grant	13	0	15	0
Supporting People Grant	91	0	108	0
Council Tax Support	34	0	0	0
Police and Crime Commissioner for Leicestershire:				
Council Tax Support	6	0	0	0
Leicester, Leicestershire and Rutland Combined Fire Authority:				
Council Tax Support	2	0	0	0
Community/Youth Grants:				
South & West Leicestershire CAB	0	57	0	56
SSAFA	0	3	0	3
Age UK - Wigston	0	6	0	6
Oadby & Wigston Community Action	0	0	0	26
The Conservation Volunteers	0	2	0	3

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 2013/14 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	2013/14	95	0	0	21	116
	2012/13	95	1	0	20	116
Director of Service Delivery	2013/14	78	0	0	18	96
	2012/13	76	1	0	16	93

During the financial year 2013/14 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 £53,680 for 2013/14.

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	2013/14	2012/13
£50,000 - £55,000	1	5
Total	1	5

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	Number of Compulsory Redundancies	Number of Other Departures Agreed	2013/14	
			Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band
				£
£0 - £20,000	0	2	2	33,753
Total	0	2	2	33,753

NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package Cost Band	2012/13			
	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	3	16	19	153,456
£20,001 - £40,000	1	6	7	208,681
£40,001 - £60,000	0	1	1	47,707
£60,001 - £80,000	0	3	3	213,200
Total	4	26	30	623,044

35. Termination Benefits

The Council has terminated the contracts of 2 employees in the year through redundancies and early retirements. The cost of these movements was £33,753 (£623,044 2012/13) -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 2013/14 the Council paid an employer's contribution of £749,400 (2012/13 £751,784) into the Leicestershire County Council Superannuation Fund, representing 23.78% (2012/13 21.5%) of pensionable pay.

In addition the Council made payments into the Leicestershire County Council Superannuation Fund relating to added years benefits of £58,029 (2012/13 £333,326), representing 1.84% (2012/13 9.53%) 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 charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement

NOTES TO THE CORE FINANCIAL STATEMENTS

benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

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

	2013/14	2012/13
	<u>£000's</u>	<u>Restated £000's</u>
Cost of Services		
Service Cost comprising		
Current Service Cost	797	691
Past Service Costs	0	386
Financial and Investment Income and Expenditure		
Net interest expense	759	678
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>1,556</u>	<u>1,755</u>

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)	1,803	(2,096)
Actuarial gains and losses arising on changes in demographic assumptions	792	0
Actuarial gains and losses arising on changes in financial assumptions	1,173	4,217
Other	(974)	(37)
Prior year adjustments to actuaries report	(38)	123
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	<u>2,756</u>	<u>2,207</u>

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.	48	61
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Actual amount charged against the General Fund Balance for pension in the year

Employers contribution payable to scheme	770	1,017
Retirement benefits payable to pensioners	44	45

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14 £000's	2012/13 £000's
Present Value of the defines Benefit Obligation	44,634	42,249
Fair Value of the plan assets	<u>(24,208)</u>	<u>(25,328)</u>
Net liability arising from defines benefit obligation	<u>20,426</u>	<u>16,921</u>

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

	2013/14 £000's	2012/13 Restated £000's
Opening fair value of scheme assets	25,328	22,127
Interest Income	1,129	1,063
Remeasurement gain/ (loss)		
The return on plan assets, excluding the amount included in the net interest expense	(1,803)	2,096
Contributions from employer	770	1,017
Contribution from employees into the scheme	212	228
Benefits paid	(1,428)	(1,203)
Other (if applicable)	0	0
Closing fair value of scheme assets	<u>24,208</u>	<u>25,328</u>

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

	2013/14 £000's	2012/13 Restated £000's
Opening balance at 1st April	42,249	36,271
Current Service Costs	797	691
Interest cost	1,888	1,741
Contributions from scheme participants	212	228
Remeasurement (gain) and losses		
Actuarial gain/losses arising from changes in demographic assumptions	792	0
Actuarial gain/losses arising from changes in financial assumptions	1,173	4,217
Other	(974)	(37)
Past service cost	0	386
Benefit Paid	(1,472)	(1,248)
Adjustment for 2013/14 Actuarial report	(31)	0
Closing balance 31st March	<u>44,634</u>	<u>42,249</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised

	Fixed Value of Scheme Assets	
	2013/14	2012/13 Restated
	£000's	£000's
Cash and cash equivalents	549	575
Equity Securities	889	931
Debt Securities	2,030	2,124
Private Equity	950	994
Real Estate	2,263	2,368
Investment Funds and unit Trusts:		
Equities	12,207	12,769
Bonds	1,593	1,667
Hedge Funds	827	865
Commodities	1,096	1,147
Infrastructure	549	575
Other	1,255	1,313
	17,527	18,336
Total Assets	24,208	25,328

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 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013/14	2012/13
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.2	20.9
Women	24.3	23.3
Longevity at 65 for future pensioners		
Men	24.2	23.3
Women	26.6	25.6
Rate of Inflation		
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%

NOTES TO THE CORE FINANCIAL STATEMENTS

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Employers Liability	Appropriate Monetary Amount
	%	£000's
Change in Assumptions 31st March 2014		
0.5% decrease in Real Discount Rate	9	4,199
1 Year increase in member life expectancy	3	1,339
0.5% increase in the Salary Increase Rate	2	1,049
0.5% increase in the Pensions Increase Rate	7	3,109

37. Revenue and Capital Grants

The Council has credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during 2013/14:

	2013/14	2012/13
	£000's	£000's
Revenue:		
Rent Allowance	6,493	6,175
Benefit Administration	245	270
Rent Rebates	2,884	2,895
Council Tax Benefits*	0	3,039
Transparency Grant	3	0
Community Rights to Challenge New Burdens Grant	9	0
Assets of Community Value New Burdens Grant	8	0
Housing Benefit New Burdens Grant	7	0
Council Tax Support New Burdens Grant	33	109
Benefit Grant Transitional Funding	3	0
PIP ETD Atlas Grant	17	0
Individual Electoral Registration Grants	21	0
Weekly Collection Support Scheme	1,340	130
Economic Development (Portas Town Team Partners)	0	10
Big Lottery Fund (Boulter Crescent)	38	10
Health Promotion	0	6
Safer Communities	13	15
Supporting People	91	108
Physical Activity Development Grant	93	78
	11,298	12,845
Capital		
Improvement Grants	203	172
Capitalisation Provision Redistribution Grant	11	0
	214	172
Total	11,512	13,017

Grants relating to taxation and non specific grants are listed separately at Note 9.

NOTES TO THE CORE FINANCIAL STATEMENTS

* £32,000 of Council Tax Benefit Grant received in 2012/13 was clawed back in 2013/14 due to adjustments in the final claim.

38. Capital Expenditure

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

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Opening Capital Financing Requirement	22,219	22,326
Capital Investment		
Property, Plant, Equipment and Intangible Assets	1,332	1,545
Revenue Expenditure Funded from Capital under Statute -Other	464	345
Sources of Finance		
Capital Receipts	(36)	(23)
Government Grants and Other Contributions	(1,619)	(1,744)
Revenue Contribution	(8)	0
Revenue Provision	(234)	(230)
Closing Capital Financing Requirement	<u>22,118</u>	<u>22,219</u>
Explanation of Movement in Year		
Increase/Decrease in underlying need for supported Borrowing	0	0
Increase in underlying need for unsupported Borrowing	(101)	(107)
	<u>(101)</u>	<u>(107)</u>

In 2013/14 capital expenditure was funded by borrowing of £132,447 (2012/13 £123,829).

39. Minimum Revenue Provision

Under the Capital Finance Regulations, this Council has a duty to set aside a minimum revenue provision (MRP) for the redemption 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14	2012/13
	£000's	£000's
General Fund Charge	234	230
HRA Charge	0	0
Minimum Revenue Provision	234	230

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.

	2013/14	2012/13
	£000's	£000's
Minimum Revenue Provision	234	230
Amount Charged as Depreciation	(1,300)	(1,072)
Additional Charge to/from the General Fund Balance	(1,066)	(842)

40. Analysis of Net Assets Employed

	31st March 2014 £000's	31 March 2013 £000's
General Fund	7,879	7,340
Housing Revenue Account	21,412	19,916
	29,291	27,256

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 2014	No. as at 31st March 2013
Operational Buildings		
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	1	1
Pavilions	7	7
Public Conveniences	4	4
Sports Centre	1	1
Swimming Pools	2	2
Sports Grounds & Parks	16	16
Vehicle Workshop	1	1
Brocks Hill Visitor Centre	1	1
Brocks Hill Country Park	1	1
Investment Property		
Shops	3	3
Countersthorpe Road Sports Ground	1	1
Council Dwellings	1,247	1,256
Total	1,543	1,552

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	
	2013/14	2012/13	2013/14	2012/13
	£000's	£000's	£000's	£000's
Financial Liabilities at Amortised Cost	19,164	19,129	1,496	4,047
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Total Borrowings	19,164	19,129	1,496	4,047
 Loans and Receivables	 31	 33	 6,806	 7,354
Available-for-Sale Financial Assets	2	2	0	0
Total Investments	33	35	6,806	7,354

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:

	Financial Assets	
	Loans and Receivables	
	2013/14	2012/13
	£000's	£000's
Interest Expense	594	597
Interest Income	(55)	(85)
Net (Gain)/Loss for the Year	539	512

The Council has made loans to voluntary organisations and to staff under a car loan scheme at less than market rates. These "soft loans" are accounted for by adjusting for a loss in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument.

The balance of soft loans as at 31 March 2014 was £82,000 (£68,000 at 31 March 2013).

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 2014 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:

	31 March 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Financial Liabilities	20,660	20,921	23,176	24,998

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Loans and Receivables	6,839	6,839	7,389	7,389

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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;

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 2014	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31st March 2013	Estimated Maximum Exposure to Default and Uncollectibility
	£000's A	% B	% C	£000's (A x C)
Deposits with banks and financial Institutions				
Local Authorities	4,000	0.00	0.00	0.00
AA Rated Counterparties	0	0.02	0.02	0.00
A Rated Counterparties	4,170	0.06	0.06	2.50
Sundry Debtors *	904	3.83	3.83	34.62
Other Debtors	63	3.83	3.83	2.41
Housing Rents	205	1.97	1.97	4.04
				<u>43.57</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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>2013/14</u>	<u>2012/13</u>
	<u>£000's</u>	<u>£000's</u>
Less than three months	235	248
Three to six months	68	64
Six months to one year	137	108
More than one year*	464	586
	<u>904</u>	<u>1,006</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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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>2013/14</u>	<u>2012/13</u>
	<u>£000's</u>	<u>£000's</u>
Less than one year	1,496	4,047
Between one and two years	16	15
Between two and five years	34	0
More than five years	19,114	19,114
	<u>20,660</u>	<u>23,176</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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<u>2013/14</u> <u>£000's</u>	<u>2012/13</u> <u>£000's</u>
Increased return on money market investments	(74)	(56)
Impact on Income and Expenditure Account	<u>(74)</u>	<u>(56)</u>
Share of Overall Impact Credited to the HRA	<u>(17)</u>	<u>(13)</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 fulfilled its obligations to the scheme in 2013/14, total liability going forward is uncertain, and there thus remains the possibility of future demands on Council funds.

NOTES TO THE CORE FINANCIAL STATEMENTS

Employment Tribunals

The Council is currently involved in one Employment Tribunal, the outcome of which is currently uncertain. There is a potential liability of £90,000.

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

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance Sheet. However the main changes are as follows:

Expected Return on Assets

This is in relation to the return on Pension Scheme assets which has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

Asset Disclosures

IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk, now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 36)

NOTES TO THE CORE FINANCIAL STATEMENTS

Effect on Comprehensive Income and Expenditure Statement

	2012/13 Net Expend	Adjustment for IAS 19	2012/13 Net Expend Restated
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Net Cost of Services	6,435		6,435
Other Operating Expenditure	234		234
Financing and Investment Income	1,053	137	1,190
Taxation and Non-specific Grant Income and Expenditure	(7,116)		(7,116)
(Surplus) or Deficit on Provision of Services	606	137	743
(Surplus)/Deficit arising on Revaluation of Plant, Property and Equipment Assets	(2,189)		(2,189)
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	2,344	(137)	2,207
Other Comprehensive Income and Expenditure	155	(137)	18
Total Comprehensive Income and Expenditure	761	0	761

NOTES TO THE CORE FINANCIAL STATEMENTS

Effect on Movements in Reserves Statement

	General Fund Balance	Total Unuseable Reserves
	£000's	£000's
Balance at 1 April 2012	<u>1,080</u>	<u>23,614</u>
<u>Movement in Reserves</u> <u>during 2012/13</u>		
Deficit on the provision of services	(1,130)	0
Adjustment for IAS 19	<u>(137)</u>	<u>0</u>
Restated - Deficit on the provision of services	(1,267)	0
Other Comprehensive Income and Expenditure	0	(155)
Adjustment for IAS 19	<u>0</u>	<u>137</u>
Restated - Other Comprehensive Income and Expenditure	0	(18)
Total Comprehensive Income and Expenditure	<u>(1,267)</u>	<u>(18)</u>
Adjustments between accounting basis & funding basis under regulations	1,576	(2,459)
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	<u>309</u>	<u>(2,477)</u>
Increase/(Decrease) in 2012/13	<u>(350)</u>	<u>(2,477)</u>
Balance at 31 March 2013 carried forward	<u>730</u>	<u>21,137</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Effect on The Cash Flow Statement

	2012/13 £000's	Adjustments for IAS 19 £000's	2012/13 Restated £000's
Net (Surplus) or Deficit on the Provision of Services	606	137	743
Adjustments to the Net Surplus or Deficit of the Provision of Services for Non Cash Movement			
Depreciation and Impairment of Non-current Assets	(2,960)		(2,960)
Increase/(Decrease) in Inventories	(10)		(10)
Increase/(Decrease) in Debtors	155		155
(Increase)/Decrease in Creditors	(837)		(837)
Net Charges made for Retirement Benefits	(533)	(137)	(670)
Carrying Amount of Non Current Assets Sold	(244)		(244)
Carrying Amount of Non Current Assets De-recognised	(228)		(228)
Increase/(Decrease) in Provisions	206		206
	(4,451)	(137)	(4,588)
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities			
	644		644
Interest Received in Year	(104)		(104)
Interest Paid in Year	567		567
Net Cashflows from Operating Activities	(2,738)	0	(2,738)
Investing Activities	3,091		3,091
Financing Activities	(1,112)		(1,112)
Net Increase or (Decrease) in Cash or Cash Equivalents	(759)	0	(759)
Cash or Cash Equivalents at the Beginning of the Reporting Period	55		55
Cash or Cash Equivalents at the End of the Reporting Period	(704)		(704)
Movement in Cash and Cash Equivalents	(759)	0	(759)

48. Statement of Authorisation

The Statement of Accounts was authorised for issue on the 23 September 2014 by Mr. J Dickson CPFA, Interim 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