

OADBY & WIGSTON BOROUGH COUNCIL

DRAFT

FINANCIAL REPORT

FOR THE YEAR

2016/2017



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THE NARRATIVE REPORT

Introduction by the Chief Financial Officer - Martin Hone

I am pleased to present Oadby and Wigston Borough Council's Statement of Accounts for the financial year ended 31 March 2017. These accounts inform their users as to the financial performance of the Council during the year and as a result are an important element of demonstrating sound financial stewardship of the taxpayers' money.

The Council's Auditors, KPMG LLP, commenced their audit on 19 June 2017 before the full audited accounts are accepted and approved by members at the Policy, Finance and Development Committee on 25 July 2017.

Prior to approval the draft accounts will be subject to a thirty day public inspection period. This must include the first ten days of July. For the 2016/17 accounts, this inspection period commences on 14 June 2017. From that date the unaudited accounts have been available to the public on the Council's website.

The purpose of this Narrative Report is to provide an easily understandable guide to the most significant matters stated in the financial report. It provides information about Oadby and Wigston, including key issues affecting the Council and its accounts.

This Statement of Accounts (the Accounts) summarises the financial position of Oadby and Wigston Borough Council for the year ended 31 March 2017. 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)

A Guide to Oadby and Wigston

The Borough is located at the south-east of the city of Leicester and comprises the three town centres of Oadby, Wigston and South Wigston. Along with Leicester it shares its boundaries with the two other local authorities of Harborough District and Blaby District.

Geography

The Borough is primarily urban in nature consisting of 2,400 hectares in area with a population of 55,800 residents. It is situated 5 miles from both Leicester City centre and from Junction 21 of the M1 motorway.

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Population

The population of the Borough is split on gender: Males 48.4% Females 52.6%

The age demographic is set out below and shows a population that is aging when compared to both the surrounding area and the country as a whole.

Age	Oadby & Wigston	Leics County	East Midlands	England
0 – 19	24.9%	24.7%	23.7%	24.0%
20 - 64	55.7%	59.5%	59.3%	59.6%
65 - 89	18.5%	15.1%	16.3%	15.6%
90 and over	0.9%	0.7%	0.7%	0.8%

The residential population is one of the most culturally diverse in the region with the overall Black and Minority Ethnic (BME) population being 29% which is almost triple the Leicestershire County average (11.1%) and double the East Midlands regional figure (14.6%). This diversity is also reflected in the religious composition of the Borough, with 22% belonging to non-Christian religions compared to a national average of 9%.

Political Structure

There has been political continuity since 1991 when the Liberal Democrats achieved an overall majority for the first time. The Council at 31 March 2017 consisted of 26 members including 19 Liberal Democrats, 6 Conservatives* and 1 Labour. Councillor John Boyce is the Leader of the Council while his deputy is Councillor Michael Charlesworth.

*In May 2017 one Conservative member resigned his whip to become an Independent member.

All 26 members sit on the Full Council and this oversees decisions and actions of the four main committees. The four committees are:

- Policy, Finance & Development Committee
- Service Delivery Committee
- Development Control Committee
- Licensing & Regulatory Committee

The Committees debate and decide Council policy and make specific decisions in relation to those individual committee's responsibilities. There are also a number of working groups with limited decision making power, that develop specific initiatives and which report through the main committees to Council. A Standards Panel to oversee Councillor's conduct can be called at any time from the membership of the Policy, Finance and Development Committee.

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As a 'Fourth Option Council', Oadby and Wigston Borough Council have not adopted a cabinet system and all 26 members are involved in the decision making.

On a national level Oadby and Wigston is contained wholly within the Harborough Constituency and had been represented at Westminster by Sir Edward Garnier, MP of the Conservative Party since 1992. Sir Edward chose not to re-stand in the June 2017 election with Neil O'Brien holding the seat for the Conservatives with a majority of 12,429.

Management Structure

The Management Team comprises the Chief Executive, Director of Services and Chief Financial Officer. Its role is to lead the organisation so that the Council can fulfil its statutory responsibilities and deliver its services and local priorities. Supporting this are a team of Service Managers across all frontline and support services of the Council. The Council is currently reviewing this tier of management for further restructuring.

Workforce

At 31 March 2017 the Council employed 178 members of staff equating to 167 Full Time Equivalent posts. During the year the Council significantly reduced its reliance on temporary agency staff through a review of services.

Agency Staff Expenditure 2016/17				
Q1	Q2	Q3	Q4	Total
£'000	£'000	£'000	£'000	£'000
420	320	253	220	1,213

This downward trend will continue in 2017/18 to provide the Council with a stable, resilient and permanent workforce.

The Visions and Values of the Council

During 2016/17 the Council has gone through a significant appraisal of its vision as a service provider to the public as well as its role as an employer. In consultation with both members and all staff the Council adopted its vision 'A Stronger Borough Together' along with five organisational values;

- 1) Accountability – Proud to take responsibility for actions, seeing tasks through to completion
- 2) Respect – Act with honesty, fairness and equality at all times.
- 3) Teamwork – Committed to sharing information, skills and experience.
- 4) Innovation – Striving for service improvements by exploiting new ways of working.

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- 5) Customer Focus – A mindset that exceeds residents and stakeholder expectations.

These values are ingrained into the Council's service provision, performance, management and recruitment policies throughout the Council.

Council Pledges and Priorities

The Council is committed to delivering quality services to all its residents and in order to do so have adopted the following nine underlying public pledges to its residents:

- 1) Protect the Borough
 - a. The Council will resist any attempt by either the City or County Councils to impose their control over the Borough.
 - b. The Council will work cooperatively and consensually with all the other Councils in Leicester and Leicestershire in order to form a Combined Authority and to seek the devolution of powers with the corresponding financial support from central government without the loss of its sovereignty.
- 2) Maintain Front Line Services
 - a. The Council is committed to free shoppers' car parking and weekly collection of waste and recycling.
 - b. No major changes would ever be made to these services without consultation.
- 3) Offering Choice when Possible
 - a. The Council will offer choice wherever possible.
 - b. When major decisions affecting front line services need to be considered, the Council will ensure that all the options available are explained clearly and listen and respond to residents.
- 4) Save Money through Service Redesign
 - a. The Council will look at all its services and redesign those that can be improved and cheaper to run.
 - b. The main focus of this redesign will be the better and wider use of ICT, Council assets and procurement.
- 5) Involve Residents and Partners
 - a. The Council is committed to continue with the town forums and to develop other community engagement systems.
 - b. The Council will work with and continue to support partners.

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6) Economic Development

- a. The Council recognises the need to develop both housing and the town centres.
- b. This will be done with maximum public involvement and at minimum cost to the green spaces in the Borough.

7) Greening the Borough

- a. The Council will continue to invest in and encourage activities which result in a greener Borough
- b. The prioritising of the protection of trees will be a cornerstone of this commitment.

8) Improving the Health of Residents

- a. The Council wants to ensure residents live a full and healthy life.
- b. The Council will continue to develop its relationship with partners in order to develop and implement appropriate outcomes that attempt to achieve this.

9) Value for Money

- a. The Council will always accept any council tax freeze grant offered by the Government.
- b. The Council will endeavour to benchmark its services against the “most like” authorities to ensure transparency and demonstrate value for money.

These nine pledges have in turn been translated into five corporate priorities:

1) An Inclusive and Engaged Borough

To work with existing forums and forge new relationships in order to strengthen community engagement and cohesion throughout the borough. To listen and empower residents by communicating, consulting and where possible offering a choice on decisions which would affect frontline services.

2) Effective Service Provision

To continue to examine services and identify improvements in order to provide the most cost effective front line services. Through Innovation strive for the optimum use of Council assets, its human resources and those of its partners in order to protect front line services.

3) Balanced Economic Development

Develop, implement and create opportunities for a balanced economic development primarily focused around the three town centres, respecting

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the Borough's natural environment whilst providing suitable housing that meets local needs.

4) Green and Safe Places

Invest in and encourage activities that provide green, pleasant and safe places in the borough for all to enjoy, whilst protecting the borough's trees and natural habitat wherever possible.

5) Wellbeing for all

Work with other organisations to improve wellbeing for all in the borough. Help secure new easy to access opportunities to enable everybody to live a harmonious and healthy life.

Equality

Oadby and Wigston Borough Council is committed to ensure that all people who visit, live or work in the Borough are treated justly and equally, are free from prejudice, fear, harassment and discrimination, and have equal access to learning, employment and social opportunities to enhance their quality of life.

Service Developments

The financial year 2016/17 was the first full year of opening for the Council's three new facilities built the previous year. The Leisure Centres in both Wigston and Oadby have gone from strength to strength over the last twelve months, as has the Customer Service Centre in Wigston Town Centre, which replaced the Council Offices as the main point of contact for the public in October 2015.

Service	No. of Visitors/ Contacts 2016/17*
Wigston and Oadby - Leisure Centres	765,000
Customer Service Centre - Detailed Enquiry	13,000
Customer Service Centre - Quick Enquiry	19,000
Customer Service Centre - Telephone Contacts	51,000

*This is the first full year these centres have been open and as a result no comparative data is available.

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During the year the Council continuously looked for ways of making efficiencies and savings through rationalisation and innovative use of technology. A new team dedicated to system administration will be set up to provide stability to the Council's IT, reducing downtime of the five main IT systems of the Council. During the forthcoming year transformation work will be carried out to achieve a sustainable channel shift in the way members of the public approach and communicate with the Council.

The Council is currently reviewing the use of its other major buildings, the offices at Station Road in Wigston and the Works Depot in Oadby, exploring alternative uses and revenue streams.

At the end of the year the Council drew up plans to form a Local Housing Company, owned by the Council, which will help meet the housing needs of the Borough as well as addressing major concerns such as the local and national homelessness problem. It is envisaged that any surpluses from the Housing Company will ease the financial pressures on other parts of the Council's General Fund budget.

Service Performance

The Council operates performance management through Key Performance Indicators. These have been formalised in 2017/18 and will be formally reported to management, monthly and members at each committee cycle as well as being made publically available on the Council's website. Key KPIs in 2016/17 were as follows

Indicator	Target	Performance
Creditor invoice paid with 30 days of registration	95%	95.3%
Average No of days to pay a creditor invoice	15	10.5
Council Tax Collection Rate	98.5%	98.3%
Non Domestic Rates Collection Rate	98.5%	98.4%
Average No of days to process new benefit claims	15	14.5
Current HRA Tenant Arrears	2.5%	2.1%
Housing Void Property Turnaround	20	22.0

Corporate Developments

The Council has, since 1996, been the proud holder of the Investors in People (IIP) Accreditation. This is awarded to organisations which are committed to the continuous development and improvement of its workforce. During the year this was reviewed by the IIP inspector after which it was confirmed that the Council would successfully retain its current IIP accreditation status. The Council has serious ambition to apply for and gain a new 'Generation 6' accreditation and work has already commenced to achieve this. The new standard concentrates on leadership, gives reports and data that assists the Council in planning its people resource. A full staff survey will be completed to give a clear overview of the Council.

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In March this year Oadby and Wigston welcomed a Local Government Association Peer Review team to the Borough, to look over and advise on the services that it provides. The report provided a very positive picture of the services provided by the Council especially the new Leisure Centres which have recently been built. It also provided good advice on the way in which both members and officers should approach any transformation of services in the future. A full copy of the report is available on the Council website.

The Council has until recently been involved in a long running employee dispute involving a number of senior council officers. Investigations into both the initial grievance and ensuing disciplinary action have now taken place and all internal aspects of these processes have now been concluded. The Council has taken on board recommendations by author of the grievance report, Richard Penn, resulting in the above mentioned Peer Review. The Council's gives further details of these issues.

The Statutory Accounts

The pages which follow are the Council's Statement of Accounts for 2016/17 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 only be properly appreciated 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 "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund 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

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discretionary transfers to or from earmarked reserves are undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with International Financial 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.

- **Expenditure and Funding Analysis**

This is a new financial performance statement that is being introduced from 2016/17. Its purpose is to report performance in a similar format used for reporting to management throughout the year.

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to Council Tax (and rent) payers how the funding available to the Council (i.e. Government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with Generally Accepted Accounting Practices.

The EFA also shows how this expenditure has been allocated for decision making purposes between the Council's service portfolios. Income and expenditure accounted for under Generally Accepted Accounting Practices are shown more fully in the Comprehensive Income and Expenditure 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 usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes 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".

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- **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 separately account 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 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. 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 Performance and Monitoring

The 2016/17 Budget

Once again, reduced level of core grant funding together with the limitations on Council Tax increases, effectively pre-set the amount of money available

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for the Council to spend on services in 2016/17. The budget was, therefore, formulated with a view to ensuring that realistic service costs were reflected whilst striving to deliver services within future funding limits. The 2016/17 budget was scrutinised by both Service Delivery and Policy Finance and Development Committees before finally being approved at Full Council in February 2016. Budget performance has been reported to members at the relevant committees during the year.

Level of Balances and Savings Targets

When the Council met in February 2016 it set a total budget of £6.71m. It was also agreed that the Council's General Fund balance would be kept at a maximum of 10% of annual expenditure, with a minimum level of 5% being kept at all times during the current financial planning cycle ending in 2019/20.

When setting the 2016/17 budget the Council outlined challenging savings targets which were required to be met in order to keep the Council's General Fund within the set range. These targets totalled £0.6m which included £0.5m to be found from staffing restructures. This needed to be carried out against a backdrop of a serious employee relations dispute which had been in progress since May 2015. The extra cost to the Council of this dispute which in 2016/17 totalled £200,000 was met from earmarked reserves, as approved by Council.

During the year the Council's staffing structure was reviewed, this resulted in around £200,000 of in-year savings. A further £418,000 was saved in efficiencies, savings and increased income streams. It is testament to the hard work and diligence of Council officers throughout the year that these reductions in net expenditure were achieved.

At 31 March 2017 the Council's General Fund Balance was £616,000 which equates to 9.2% of total expenditure in the 2017/18 budget.

Financial Outturn 2016/17

During 2016/17 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:

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	Original Budget 2016/17	Revised Budget 2016/17	Actual 2016/17	Variance Under /(Over) Spend 2016/17
	£000's	£000's	£000's	£000's
Policy, Finance and Development	1,896	2,377	2,579	(202)
Service Delivery	3,593	3,418	3,382	36
Development Control	520	560	558	2
Youth	12	9	8	1
Licensing and Regulatory	61	56	54	2
Net Committee Expenditure	6,082	6,420	6,581	(161)
Capital Financing	627	619	617	2
Total Net Expenditure	6,709	7,039	7,198	(159)
Transfer to/(from) Reserves	(294)	(624)	(844)	220
Net Expenditure	6,415	6,415	6,354	61
Financing	6,266	6,266	5,975	291
Transfer (from)/to Balances	(149)	(149)	(379)	(230)

The actual position for the year saw a contribution from the General Fund Balance of £0.379m which was an increase of £0.230m from both the original and revised budget. The Council suffered from a larger than expected loss of Government funding through both Non Domestic Rate Income not meeting expectations, but also a greatly reduced allocation of S31 Grant which was not announced until May 2016. In total this reduced the funding expected in-year by £0.291m.

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.

Major Changes in the Council's Assets and Liabilities

During 2016/17 the Council expended £4.598m (2015/16 £12.163m) on capital projects as shown below.

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	Budget 2016/17	Outturn 2016/17	Outturn 2015/16
	£000's	£000's	£000's
Capital Expenditure			
Service Delivery (Housing Related)			
Housing Revenue Account	4260	3,793	3,265
General Fund	318	360	415
	4,578	4,153	3,680
Service Delivery	863	259	8,102
Policy Finance and Development	232	186	381
Total	5,673	4,598	12,163
Financed By			
Capital Receipts		12	66
Government Grants		177	237
Loans		1,801	7,459
External Funding		0	67
Revenue & Reserves		1,394	3,149
Major Repairs Allowance		1,214	1,185
Total		4,598	12,163

The large decrease in the Council's expenditure on capital projects in 2016/17 is attributable to the reconstruction of the leisure facilities at Wigston Pool and Parklands, in Oadby, completed in 2015/16, which resulted in unusually high capital expenditure in that financial year.

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 2017 is £25.377m (2015/16 £13.482m). This is attributable to a change in the statutory method for valuation of the HRA housing stock.

Material Charges

Any material items impacting the Comprehensive Income and Expenditure Statement and the Housing Revenue Account are disclosed separately to ensure transparency. For 2016/17 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 International Accounting Standard 19 the Council is required to account for its share of the scheme's total liabilities. In this respect, the Council's liability to the fund has been included in the accounts in the sum of £22.677m as at 31 March 2017. 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

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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 £4.091m since the prior year due to these changes.

Further details on the pension schemes are set out in Note 37.

Accounting Policies

Accounting policies have been reviewed and are explained fully in the Statement of Accounting Policies which is part of the financial statements.

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 has approved a net General Fund revenue budget for 2017/18 of £6.602m and a total Capital Programme of £1.761m. The Housing Revenue Account (HRA) budget is expected to break-even in the forthcoming year, leaving revenue balances of around £0.300m, 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 2017 as compared to the preceding year end.

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	<u>2016/17</u> £000's	<u>2015/16</u> £000's
Borrowing Limits		
Authorised	<u>34,000</u>	<u>34,000</u>
Operational	<u>32,000</u>	<u>32,000</u>
Other Resources		
Long-term	24,114	19,144
Short-term	4,500	8,000
Bank Overdraft	<u>515</u>	<u>419</u>
	<u>29,129</u>	<u>27,563</u>

The Council had in place an overdraft facility with its bankers in the sum of £1.0m (£1.0m 2015/16). However from 1 April 2017 the overdraft facility has been discontinued as part of its search for efficiencies and savings.

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. The use of operating leases is gradually being wound down in favour of the outright purchase of vehicles.

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 2017.

	<u>2016/17</u> £000's	<u>2015/16</u> £000's
Revenue Reserves		
General Fund	616	996
Housing Revenue Account	432	1,346
Other Resources		
Useable Capital Receipts	1,277	729
Earmarked Reserves	2,454	3,142

Impact of the Current Economic Climate

2016/17 saw a continuation of the Government's austerity programme and with it a reduction in central government grants to fund Council services. This year saw the first interest Bank Rate change since 2009 when the Bank of England cut its basic rate from 0.5% to 0.25%. Although this again reduces the opportunity for the Council to earn money from investing its balances it has significantly mitigated the impact of this by utilising these balances to fund its major capital schemes while taking advantage of the all time low rates to borrow where necessary.

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The economic outlook has improved nationally during the year mirrored by an upturn in income for areas such as Development Control and Recycling Disposal. Council house sales remained at broadly the same level as the previous year.

2017/18 will see a further continuation of the current government policy with further reductions in future funding planned for 2018/19 and 2019/20.

- Interest rates continue at a low level, with the current bank base rate set to remain at 0.25% throughout 2017/18 with no movement until June 2018 at the earliest.
- 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. This year's significant improvement in recycle prices should continue next year to assist the Council's funding. However changes in the way Leicestershire County Council manage their disposal service could see this dwindle, making it necessary for this Council to fully review its recycling and disposal service during 2017/18.
- Council house sales through the Right to Buy Scheme should continue at a similar level to 2016/17.
- On 23 June 2016 the UK electorate voted to leave the European Economic Community (EEC). Article 50 commencing the leaving process was triggered on 29 March 2017. Significantly complex negotiation between the United Kingdom Government and the EEC need to be concluded before the full economic impact of the 'leave' vote can be assessed. However the Council is mindful of this and its future plans and strategies will take this into account. The UK General Election in June 2017 left no overall majority in the House of Commons. The Conservative, the largest party, formed a coalition, with the Democratic Unionist Party in order to form a government. The lack of a strong majority government is likely to make 'Brexit' talks with the European Union difficult.

Receipt of Further Information

For further information about these accounts please email finance@oadby-wigston.gov.uk or write to The Chief Financial Officer, Council Offices, Station Road, Wigston, Leicestershire LE18 2DR

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Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council and in particular the Finance Section. I would like to express my thanks to all colleagues who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

A handwritten signature in black ink that reads "Martin Hone". The signature is written in a cursive style with a large 'M' and 'H'.

Martin Hone CPFA
Chief Financial Officer

Date: 25 July 2017

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 are reasonable and prudent
- complied with the local authority Code.

The Section 151 Officer has also:

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

Certification of the Accounts

I certify that the statement of accounts gives a true and fair view of the financial position of Oadby and Wigston Borough Council as at the 31 March 2017 and the Council's income and expenditure for the year ended 31 March 2017.

Martin Hone CPFA,
Chief Financial and S151 Officer

Date

Approval of the Accounts

I certify that the Financial Statements have been approved by a resolution of the Policy Finance and Development Committee in accordance with the Accounts and Audit (England) Regulations 2011 and is authorised for issue.

Councillor Sharon Morris,
Chair, Policy Finance and Development Committee

Date

THE STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts (the Accounts) summarise the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and The Service Reporting Code Of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS). It also complies with guidance notes issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of accounting standards to local Council accounts.

Since the Statement of Accounts is prepared under the Code, it 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 GB Pounds Sterling (£) as this is the most representative currency of the Council's operations, and rounded to the nearest thousand pounds.

The preparation of accounts in accordance with the Code requires management to make judgements, estimates and assumptions that affect the application of policies, the reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and other factors which 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.

THE STATEMENT OF ACCOUNTING POLICIES

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, investment properties are classified as those assets which are held for rental.
- 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 an operating lease. The results of this exercise have 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 (excluding 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.

THE STATEMENT OF ACCOUNTING POLICIES

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 cannot 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 eight service areas. These were determined to give both members and the general public a clear picture of the services the Council provides and will assist the making of decisions about allocating resources and assessing performance. The eight segments are

Welfare and Taxation	Finance and Corporate Services	Community Services	Depot Operations
Regulatory Services	Planning and Economic Development	Leisure Services	Housing Revenue Account

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.

THE STATEMENT OF ACCOUNTING POLICIES

- 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 principle 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.

An interest expense 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 and are identified as exceptional items by virtue of their size, nature or incidence. These items are disclosed separately in the accounts.

9. Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (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.

THE STATEMENT OF ACCOUNTING POLICIES

- 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, 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. Items in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

THE STATEMENT OF ACCOUNTING POLICIES

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. Value Added Tax (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:

THE STATEMENT OF ACCOUNTING POLICIES

- 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 - MRP) 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 2016/17 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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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)
- Surplus Assets - 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:

- If 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).

THE STATEMENT OF ACCOUNTING POLICIES

- If 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.

THE STATEMENT OF ACCOUNTING POLICIES

- 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.
- 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, investment properties or assets held for sale.

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 a larger asset that has to be separately identified and depreciated, 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 value to the parent asset
- Provide an economic or service benefit to the Council, 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 asset's value is greater than £1,000,000 and where the component is more than 25% of the total asset's value.

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

The following assets have been componentised:

- Wigston Swimming Pool
- Brocks Hill Visitor Centre
- Blaby Road Park
- Parklands Leisure Centre

THE STATEMENT OF ACCOUNTING POLICIES

Council Dwellings are not componentised, other than the separations 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 these 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 are therefore 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 in 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 tangible fixed asset – the liability is written down as the rent becomes payable) and

THE STATEMENT OF ACCOUNTING POLICIES

- 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 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

THE STATEMENT OF ACCOUNTING POLICIES

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 provides defined benefits to members (retirement lump sums and pensions), earned as employees work 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 2.5% and 2.7% dependent on the duration of the liability. (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 employer's own weighted average duration).

THE STATEMENT OF ACCOUNTING POLICIES

- 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 eight 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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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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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 or losses that arise on derecognition of the asset are credited or 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.

THE STATEMENT OF ACCOUNTING POLICIES

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 or losses that arise on derecognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or 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 44).
- 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.

THE STATEMENT OF ACCOUNTING POLICIES

- 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 34).

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

THE STATEMENT OF ACCOUNTING POLICIES

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 is 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/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 Unusable Reserves	Total Authority Reserves
Note	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2016	996	3	1,346	3,142	729	30	6,246	19,513	25,759
<u>Movement in Reserves during 2016/17</u>									
Deficit on the provision of services	(2,433)	0	(848)	0	0	0	(3,281)	0	(3,281)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	9,164	9,164
Total Comprehensive Income and Expenditure	(2,433)	0	(848)	0	0	0	(3,281)	9,164	5,883
Adjustments between accounting basis & funding basis under regulations	4 1,410	0	216	(325)	548	0	1,849	(1,849)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,023)	0	(632)	(325)	548	0	(1,432)	7,315	5,883
Transfers (to)/from Earmarked Reserves	5 643	0	(281)	(362)	0	0	0	0	0
Increase/(Decrease) in 2016/17	(380)	0	(913)	(687)	548	0	(1,432)	7,315	5,883
Balance at 31 March 2017 carried forward	616	3	433	2,455	1,277	30	4,814	26,828	31,642

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
Balance at 1 April 2015	1,014	3	2,723	4,802	579	30	9,151	16,418	25,569
<u>Movement in Reserves during 2015/16</u>									
Deficit on the provision of services	(6,136)	0	(1,487)	0	0	0	(7,623)	0	(7,623)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	7,966	7,966
Total Comprehensive Income and Expenditure	(6,136)	0	(1,487)	0	0	0	(7,623)	7,966	343
Adjustments between accounting basis & funding basis under regulations	4 5,697	0	432	(1,561)	150	0	4,718	(4,871)	(153)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(439)	0	(1,055)	(1,561)	150	0	(2,905)	3,095	190
Transfers (to)/from Earmarked Reserves	5 421	0	(322)	(99)	0	0	0	0	0
Increase/(Decrease) in 2015/16	(18)	0	(1,377)	(1,660)	150	0	(2,905)	3,095	190
Balance at 31 March 2016 carried forward	996	3	1,346	3,142	729	30	6,246	19,513	25,759

THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Practice, 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.

	Note	2016/17			2015/16		
		Gross Expend	Gross Income	Net Expend	Gross Expend	Gross Income	Net Expend
		£000's	£000's	£000's	£000's	£000's	£000's
EXPENDITURE ON SERVICES							
Welfare and Taxation		10,273	(9,418)	855	10,348	(9,517)	831
Finance and Corporate		2,496	(535)	1,961	2,459	(570)	1,889
Community Services		543	(112)	431	449	(151)	298
Depot Operations		2,931	(646)	2,285	2,943	(497)	2,446
Regulatory Services		866	(355)	511	894	(292)	602
Planning and Economic Development		847	(239)	608	725	(194)	531
Leisure Services		1,947	(566)	1,381	4,972	(449)	4,523
Housing Revenue Account		3,564	(5,134)	(1,570)	4,798	(5,188)	(390)
Net Cost of Services		23,467	(17,005)	6,462	27,588	(16,858)	10,730
Other Operating Expenditure	7			1,680			2,213
Financing and Investment Income	8			1,334			1,216
Taxation and Non-specific Grant Income and Expenditure	9			(6,197)			(6,535)
(Surplus) or Deficit on Provision of Services				3,279			7,624
(Surplus)/Deficit arising on Revaluation of Plant, Property and Equipment Assets	24			(12,720)			(831)
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	25			3,557			(6,982)
Other Comprehensive Income and Expenditure				(9,163)			(7,813)
Total Comprehensive Income and Expenditure				(5,884)			(189)

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and Business Rates) by local authorities, in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes, between the Council's directorates/ services/ departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. (See also Note 30 and 31)

2016/17	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000's	£000's	£000's
Welfare & Taxation Services	855	(2)	853
Finance & Corporate Services	1,817	144	1,961
Community Services	433	(2)	431
Depot Operations	1,986	300	2,286
Regulatory Services	155	356	511
Planning & Economic Development	592	17	609
Leisure Services	691	690	1,381
Housing Revenue Account	(2,486)	916	(1,570)
Net Cost of Services	4,043	2,419	6,462
Total - Other Operating Expenditure	(1)	1,681	1,680
Total - Financing & Investment Income & Expenditure	3,734	(2,400)	1,334
Total - Taxation & Non Specific Grant Income	(5,975)	(222)	(6,197)
(Surplus)/Deficit on Provision of Services	1,801	1,478	3,279
Opening General Fund & HRA Balance at 1st April	(2,342)		
Less Deficit/(Surplus) on General Fund and HRA Balance in Year	1,293		
Closing General Fund & HRA Balance at 31st March	(1,049)		

* See Movement in Reserves Statement for the split of General Fund and HRA balances.

2015/16	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000's	£000's	£000's
Welfare & Taxation Services	805	27	832
Finance & Corporate Services	1,699	189	1,888
Community Services	294	4	298
Depot Operations	2,107	339	2,446
Regulatory Services	360	242	602
Planning & Economic Development	500	31	531
Leisure Services	999	3,524	4,523
Housing Revenue Account	(2,401)	2,011	(390)
Net Cost of Services	4,363	6,367	10,730
Total - Other Operating Expenditure	(155)	2,215	2,060
Total - Financing & Investment Income & Expenditure	5,186	(3,817)	1,369
Total - Taxation & Non Specific Grant Income	(6,338)	(197)	(6,535)
(Surplus)/Deficit on Provision of Services	3,056	4,568	7,624
Opening General Fund & HRA Balance at 1st April	(3,737)		
Less Deficit/(Surplus) on General Fund and HRA Balance in Year	1,395		
Closing General Fund & HRA Balance at 31st March	(2,342)		

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 31/03/2017	As At 31/03/2016
	Note	£000's	£000's
Property, Plant & Equipment	10	82,580	70,282
Heritage Assets	11	50	40
Investment Property	12	627	376
Intangible Assets	13	100	115
Long Term Debtors	14	28	12
Long Term Investments	15	0	0
Long Term Assets		83,385	70,825
Short Term Debtors	14	1,634	1,856
Short Term Investments	15	1,500	3
Inventories	17	38	66
Cash and Cash Equivalents	18	1,117	3,961
Current Assets		4,289	5,886
Short Term Borrowing		(4,545)	(8,010)
Bank Overdrawn	18	(516)	(419)
Short Term Creditors	19	(2,458)	(3,319)
Short Term Provisions	20	(630)	(602)
Current Liabilities		(8,149)	(12,350)
Long Term Creditors		(7)	(19)
Long Term Borrowing		(24,077)	(19,114)
Other Long Term Liabilities	37	(22,677)	(18,586)
Capital Grants Receipts in Advance	21	(1,122)	(883)
Long Term Liabilities		(47,883)	(38,602)
Net Assets		31,642	25,759

THE BALANCE SHEET

		As At 31/03/2017	As At 31/03/2016
	Note	£000's	£000's
Usable Reserves	22	(4,813)	(6,245)
Unusable Reserves			
Capital Adjustment Account	23	(24,210)	(25,067)
Revaluation Reserve	24	(25,377)	(13,312)
Pension Fund Reserve	25	22,677	18,586
Financial Instrument Adjustment Account		7	7
Collection Fund Adjustment Account	22	20	241
Accumulated Staff Absences Reserve	22	54	31
Total Reserves		<u>(31,642)</u>	<u>(25,759)</u>

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.

	2016/17	2015/16
Note	<u>£000's</u>	<u>£000's</u>
Net (Surplus) or Deficit on the Provision of Services	3,280	7,624
Adjustments to the Net Surplus or Deficit of the Provision of Services for Non Cash Movement		
Depreciation and Impairment of Non-current Assets	(2,165)	(6,176)
Increase/(Decrease) in Inventories	(29)	(10)
Increase/(Decrease) in Debtors	(254)	(4)
(Increase)/Decrease in Creditors	1,305	105
Net Charges made for Retirement Benefits	(534)	(891)
Carrying Amount of Non Current Assets Sold	(564)	(291)
Carrying Amount of Non Current Assets De-recognised	(1,676)	(2,096)
Increase/(Decrease) in Provisions	(28)	(241)
Bad Debts Written Off in Year	0	(22)
Movement in the Value of Investment Properties	0	153
Other Cash and Non Cash Movements	3	(13)
	<u>(3,942)</u>	<u>(9,486)</u>
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	475	13
Interest Received in Year	(13)	(29)
Interest Paid in Year	662	583
Net Cashflows from Operating Activities	<u>462</u>	<u>(1,295)</u>
Investing Activities	26 4,547	7,288
Financing Activities	27 (2,068)	(8,211)
Net Increase or (Decrease) in Cash or Cash Equivalents	<u>2,941</u>	<u>(2,218)</u>
Cash or Cash Equivalents at the Beginning of the Reporting Period	(3,542)	(1,324)
Cash or Cash Equivalents at the End of the Reporting Period	18 <u>(601)</u>	<u>(3,542)</u>
Movement in Cash and Cash Equivalents	<u>2,941</u>	<u>(2,218)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Standards Issued but not Adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2017/18 Code.

There are no new standards in the 2017/18 Code which are likely to have a material impact on the accounts.

2. Events after the Reporting Period

There were no adjusting events after the reporting period.

3. 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 31st March 2017 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</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 £43k 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

	<p>Equipment are reviewed for both economic and price impairment on an annual basis. As at 31st March 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>	
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"> • 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	<p>At 31st March 2017, the Council had a balance of £0.28m for sundry debtors. A review of balances suggested that an impairment of doubtful debts of £0.05m 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>

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
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	
	£000's	£000's	£000's	£000's	£000's	£000's

2016/17

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	1,188		913			(2,101)
Movement in Market Value of Investment Properties	(1)					1
Amortisation of Intangible Assets	50		14			(64)
Revenue expenditure funded from capital under statute	192					(192)
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	206		2,035			(2,241)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(463)					463
Capital Expenditure charged against General Fund and HRA Balances			(1,356)			1,356
Capital Expenditure charged against Earmarked Reserves				(38)		38

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£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							0
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	(204)		(535)		739		0
Use of the Capital Receipts Reserve to finance new capital expenditure					(12)		12
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal	8				(8)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	171				(171)		0
Adjustments involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA			(927)	927			0
Use of the Major Repairs Reserve to finance new capital expenditure				(1,214)			1,214

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	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
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,315		197			(1,512)	
Employer's pension contributions and direct payments to pensioners payable in the year	(851)		(127)			978	
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	(222)					222	
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	21		2			(23)	
Total Adjustments	1,410	0	216	(325)	548	0	
					1,849		

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 Comparative Figures

	General Fund Balance	Deferred Capital Receipts	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Depreciation and impairment of non-current Assets	3,978	0	2,135	0	0	0	(6,113)
Movement in Market Value of Investment Properties	(153)	0	0	0	0	0	153
Amortisation of Intangible Assets	50	0	13	0	0	0	(63)
Revenue expenditure funded from capital under statute	244	0	0	0	0	0	(244)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,153	0	1,279	0	0	0	(2,432)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	(271)	0	0	0	0	0	271
Capital expenditure charged against the General Fund and HRA balances	0	0	(1,895)	0	0	0	1,895
Capital Expenditure charged against Earmarked Reserves	0	0	0	(1,253)	0	0	1,253
Adjustments primarily involving the Capital Grants Unapplied Account:							
Application of grants to capital financing transferred to the Capital Adjustment Account	(127)	0	0	0	0	0	127

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 Comparative Figures

	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	
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	(50)	0	(323)	0	373	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(66)	0	66
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal	9	0	0	0	(9)	0	0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	148	0	0	0	(148)	0	0
Adjustments involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	0	0	(877)	877	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(1,185)	0	0	1,185
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	0	0	0	0	0	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 Comparative Figures	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	
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,578	0	195	0	0	0	(1,773)
Employer's pension contributions and direct payments to pensioners payable in the year	(785)	0	(97)	0	0	0	882
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	(71)	0	0	0	0	0	71
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	(6)	0	2	0	0	0	4
Total Adjustments	5,697	0	432	(1,561)	150	0	4,718

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 2016/17.

	2015/16			2016/17			
	Balance 31 March 2015 £000's	Transfer In/(Out) Fund £000's	(To)/From Other Reserves £000's	Balance 31 March 2016 £000's	Transfer In/(Out) Fund £000's	(To)/From Other Reserves £000's	
General Fund Earmarked Reserves							
Budget Carried Forward	106	(63)	0	43	(7)	0	36
Capital	6	16	(15)	7	0	(6)	1
Software Implementation	6	0	(6)	0	0	0	0
Operations	30	(30)	0	0	0	0	0
Plant and Machinery	30	0	(30)	0	0	0	0
Service Improvement	24	0	0	24	0	(12)	12
Council Priority	73	0	108	181	(20)	0	161
Welfare Reform	75	0	0	75	(3)	0	72
Troubled Families	24	(1)	0	23	0	0	23
Disabled Facilities	0	15	(10)	5	10	(9)	6
ERDF Schemes	17	20	(6)	31	0	(3)	28
Greening the Borough	183	(13)	0	170	0	0	170
Active Asset Management	300	0	0	300	0	0	300
Contingency	200	0	0	200	(200)	0	0
Management of Change	445	(322)	(65)	58	(58)	0	0
Weekly Collection Support Scheme	991	0	(983)	8	0	(8)	0
Budget Equilibrium	600	0	0	600	(399)	0	201
Income Profiling	150	(103)	0	47	0	0	47
Land Valuation	23	(3)	0	20	(3)	0	17
HR Recruitment	20	0	0	20	(20)	0	0
Land Charges	0	37	0	37	(15)	0	22
Borough Events	0	0	9	9	(2)	0	7
Total General Fund Earmarked Reserves	3,303	(447)	(998)	1,858	(717)	(38)	1,103

NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>2015/16</u>			<u>2016/17</u>			Balance 31 March 2017 £000's
	Balance	Transfer	(To)/From	Balance	Transfer	(To)/From	
	31 March	In/(Out)	Other	31 March	In/(Out)	Other	
	<u>2015</u>	<u>Fund</u>	<u>Reserves</u>	<u>2016</u>	<u>Fund</u>	<u>Reserves</u>	
£000's	£000's	£000's	£000's	£000's	£000's	£000's	
General Fund Grants							
Grounds Maintenance	234	(24)	0	210	163	0	373
Housing and Planning Delivery Grant	212	(5)	0	207	(76)	0	131
Earmarked Grants	553	55	(116)	492	(13)	0	479
Total General Fund Grants	999	26	(116)	909	74	0	983
Total General Fund	4,302	(421)	(1,114)	2,767	(643)	(38)	2,086
HRA							
Regeneration Reserve	500	0	(139)	361	0	0	361
Major Repairs Reserve	0	308	(308)	0	287	(287)	0
Budget Carried Forward	0	14	0	14	(6)	0	8
Total HRA	500	322	(447)	375	281	(287)	369
Grand Total	4,802	(99)	(1,561)	3,142	(362)	(325)	2,455

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 are yet to be used.
Budget Carried Forward	Contains authorised budget carry forwards from this 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Operations Reserve	This reserve is provided as insurance against potential fluctuations in market pricing on the sale of recyclable materials
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 to be used to fund the improvement of areas which are specific to Council priorities and allocated through the Local Forums.
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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.
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.
Land Charges Reserve	To fund improvements in the land charges service
Borough Events Reserve	To fund commemorative events held in the borough by the Council or other grant assisted groups.

6. Material Items of Income and Expenditure

For 2016/17 the Council has the following material items of income and expenditure for both capital and revenue:

The Council paid out £6.034 million in housing benefits during 2016/17 and a further £2.887 million in rent rebates. The Government subsidy that provides the funding for these items is not listed here, but is included in Note 38 to the core statements.

The Council also carried out £3.781 million of major refurbishment work on the Council's housing stock.

7. Other Operating Expenditure

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
(Gains)/Loss on Disposal of Non-current Assets	(175)	(31)
Loss on De-recognition of Fixed Assets *	1,676	2,096
Contribution to Housing Pooled Capital Receipts	179	148
Total	<u><u>1,680</u></u>	<u><u>2,213</u></u>

* De-recognition relates to components of various housing assets which have been replaced and therefore de-recognised in year, and to Oadby Swimming Pool, as its value in service is now nil.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. Financing and Investment Income and Expenditure

	<u>2016/17</u>	<u>2015/16</u> Restated
	£000's	£000's
Interest Payable and Similar Charges	697	592
(Gains)/Loss on Revaluation of Investment Properties	(1)	(153)
Interest and Investment Income	(10)	(14)
Pension Interest Costs and Expected Return on Pension Assets	648	791
Total	<u>1,334</u>	<u>1,216</u>

9. Taxation and Non Specific Grant Income and Expenditure

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
General Government Grants	(747)	(1,175)
Council Tax Income	(3,492)	(3,369)
Collection Fund (Surplus)/Deficit - Council Tax	(37)	(43)
Non Domestic Rates Income	(5,132)	(4,816)
Non Domestic Rates Tariff Payment	3,541	3,512
Non Domestic Rates Safety Net	0	4
Non Domestic Rates Levy	48	20
Non Domestic Rates LLP Share of Surplus (Pool)	0	(24)
Collection Fund (Surplus)/Deficit - NNDR	281	174
S31 Small Business Rate Relief	(214)	(353)
Capital Grants and Contributions	0	(147)
New Homes Bonus	(445)	(318)
Total	<u>(6,197)</u>	<u>(6,535)</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
Balance at 1 April 2015	42,154	18,727	4,018	2,803	1,619	69,321
Additions	3,265	8,536	1,508	10	(1,619)	11,700
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	766	72	0	(5)	0	833
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(2,064)	(3,669)	0	(11)	0	(5,744)
Derecognition - Disposals	(1,038)	(1,058)	(303)	0	0	(2,399)
Derecognition - Other	(241)	0	0	0	0	(241)
Balance at 31 March 2016	42,842	22,608	5,223	2,797	0	73,470
Balance at 1 April 2016	42,842	22,608	5,223	2,797	0	73,470
Additions	3,781	94	291	10	3	4,179
Transfers	0	(300)	0	0	0	(300)
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	11,955	444	0	96	0	12,495
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(823)	(812)	0	(9)	0	(1,644)
Derecognition - Disposals	(1,676)	0	(9)	0	0	(1,685)
Derecognition - Other	(359)					(359)
Balance at 31 March 2017	55,720	22,034	5,505	2,894	3	86,156

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation and Impairment

	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
Balance at 1 April 2015	0	0	3,028	0	0	3,028
Depreciation Charge	793	1,098	368	9	0	2,268
Depreciation Written Out to the Revaluation Reserve	(793)	(1,098)		(9)	0	(1,900)
Derecognition - Disposals			(208)			(208)
Derecognition - Other	0	0	0	0	0	0
Balance at 31 March 2016	0	0	3,188	0	0	3,188
Balance at 1 April 2016	0	0	3,188	0	0	3,188
Depreciation Charge	823	756	392	9	0	1,980
Depreciation Written Out to the Capital Adjustment Account	(823)	(756)	0	(9)	0	(1,588)
Derecognition - Disposals	0	0	(4)	0	0	(4)
Balance at 31 March 2017	0	0	3,576	0	0	3,576

	2016/17			2015/16		
	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	55,720	0	55,720	42,842	0	42,842
Other Land & Buildings	22,034	0	22,034	22,607	0	22,607
Community Assets	2,894	0	2,894	2,798	0	2,798
Vehicles, Plant etc	1,916	13	1,929	2,008	27	2,035
Incomplete Assets	3	0	3	0	0	0
Total	82,567	13	82,580	70,255	27	70,282

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) Vehicle Plant and Equipment - 5 to 10 years

Capital Commitments

At 31st March 2017, the Council had outstanding capital commitments of £550K in relation to HRA major refurbishment works at Boulter Crescent, £210K in relation to HRA major refurbishment works at Kings Drive, £52K in relation to HRA major refurbishment works at Queens Street, and £164K in relation to new refuse vehicles.

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 2017 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 2015.

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

Heritage 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>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Balance at 1 April	40	40
Additions	10	0
Balance at 31 March	50	40

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>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Rental Income from Investment Property	(17)	(17)
Direct Operating Expenses Arising from Investment Property	0	0
Net Gain/(Loss)	<u>(17)</u>	<u>(17)</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.

2016/17 has seen a net increase of £251K in the value of the Council's investment properties. A £451K increase is due to the revaluation and reclassification of former non-operational assets, pending development opportunities, while a £200K decrease results from the sale of a former investment property.

The current investment property balance consists of £157K of retail property let out, and £470K of property awaiting development.

Balance at 1 April	376	223
Disposals	(200)	0
Revaluation Gain Recognised in the Surplus/Deficit on the Provision of Services	1	153
Revaluation Gain Recognised in the Revaluation Reserve	215	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(65)	0
Reclassification of asset	300	0
Balance at 31 March	<u>627</u>	<u>376</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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Cost or Valuation of Software

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Balance at 1 April	815	774
Additions	50	41
Balance at 31 March	865	815

Depreciation and Impairment of Software

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Balance at 1 April	700	637
Amortisation for the Year	65	63
Balance at 31 March	765	700

Net Book Value

	<u>Balance as at 31 March 2017</u>	<u>Balance as at 31 March 2016</u>
	£000's	£000's
Software	100	115

14. Debtors

Amounts falling due in less than one year are:

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Central Government Bodies	308	637
Other Local Authorities	382	261
Other Entities and Individuals	944	958
Total	1,634	1,856

Amounts falling due after one year are:

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Voluntary Organisation Loans	2	2
Car Loans to Employees	26	10
Other Long Term Debtors	0	0
	28	12

NOTES TO THE CORE FINANCIAL STATEMENTS

15. Investments

The Council's investments are detailed below.

	2016/17	2015/16
	£000's	£000's
Long Term Investments (Greater than 1 year)	0	0
Short Term Investments (Less than 1 year)	1,500	3
	1,500	3

16. Assets Held for Sale

Countesthorpe Road Sports Ground was reclassified as an asset held for sale in 2015/16. It was sold for £200,000 on 17th May 2016.

17. Inventories

	Consumable Stores		Maintenance Materials		Recyclates		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance Outstanding at Start of Year	14	16	20	25	32	35	66	76
Purchases	141	149	16	29	281	168	438	346
Recognised as an Expense in the Year	(140)	(151)	(25)	(34)	(301)	(171)	(466)	(356)
Balance Outstanding at End of Year	15	14	11	20	12	32	38	66

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 2017	31 March 2016
	£000's	£000's
Short-term Deposits	<u>1,117</u>	<u>3,961</u>
Bank Overdrawn	31 March 2017	31 March 2016
	£000's	£000's
Cash Held by the Authority	0	5
Bank Current Accounts	<u>(516)</u>	<u>(424)</u>
	<u>(516)</u>	<u>(419)</u>
Total	<u>601</u>	<u>3,542</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 31st March 2017 was 0.25% (0.25% as at 31st March 2016).

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

19. Short Term Creditors

	2016/17	2015/16
	£000's	£000's
Central Government Bodies	(791)	(628)
Other Local Authorities	(166)	(66)
Other Entities and Individuals	(1,501)	(2,625)
Total	<u>(2,458)</u>	<u>(3,319)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Short Term Provisions

	Accumulated Absence 2016/17	NNDR Appeals 2016/17	Total 2016/17
	£000's	£000's	£000's
Balance B/Fwd	(31)	(571)	(602)
Arising during the year	(54)	(5)	(59)
Used during the year	31	0	31
Balance C/Fwd	(54)	(576)	(630)
Current Provision	(54)	(576)	(630)
Expected Timing of Cash Flows:			
To 31 March 2018	(54)	(576)	(630)
Total	(54)	(576)	(630)

	Accumulated Absence 2015/16	NNDR Appeals 2015/16	Total 2015/16
	£000's	£000's	£000's
Balance B/Fwd	(35)	(326)	(361)
Arising during the year	(31)	(245)	(276)
Used during the year	35	0	35
Balance C/Fwd	(31)	(571)	(602)
Current Provision	(31)	(571)	(602)
Expected Timing of Cash Flows:			
To 31 March 2017	(31)	(571)	(602)
Total	(31)	(571)	(602)

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 one 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Capital Grants and Contributions - Receipts in Advance

	<u>2016/17</u>	<u>2015/16</u>
	£ 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	(10)	(10)
South Wigston Regeneration - Interest	(305)	(305)
Section 106 - Open Space	(789)	(550)
Green Roof Bus Shelter	(6)	(6)
Brocks Hill Alarm	(1)	(1)
DECC Grant	(5)	(5)
Total	<u><u>(1,122)</u></u>	<u><u>(883)</u></u>

22. Movements on Reserves

	Balance At 31st March 2015	Net Movement in Year	Balance At 31st March 2016	Net Movement in Year	Balance At 31st March 2017
	£000's	£000's	£000's	£000's	£000's
Earmarked Reserves (Note 5)	(4,802)	1,660	(3,142)	687	(2,455)
Other Usable Reserves					
Usable Capital Receipts Reserve	(579)	(150)	(729)	(548)	(1,277)
Capital Grants Unapplied Reserve	(30)	0	(30)	0	(30)
Deferred Capital Receipts - General Fund	(3)	0	(3)	0	(3)
General Fund	(1,014)	18	(996)	380	(616)
Housing Revenue Account	(2,723)	1,377	(1,346)	913	(433)
	<u><u>(9,151)</u></u>	<u><u>2,905</u></u>	<u><u>(6,246)</u></u>	<u><u>1,432</u></u>	<u><u>(4,814)</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance At 31 March 2015 £000's	Net Movement in Year £000's	Balance At 31 March 2016 £000's	Net Movement in Year £000's	Balance At 31 March 2017 £000's
<u>Unusable Reserves</u>					
Collection Fund Adjustment Account	312	(71)	241	(221)	20
Pensions Reserve	24,677	(6,091)	18,586	4,091	22,677
Revaluation Reserve	(13,425)	113	(13,312)	(12,065)	(25,377)
Capital Adjustment Account	(28,024)	2,957	(25,067)	857	(24,210)
Financial Instruments Adjustment Account	7	0	7	0	7
Accumulated Absences Reserve	35	(4)	31	23	54
	<u>(16,418)</u>	<u>(3,096)</u>	<u>(19,514)</u>	<u>(7,315)</u>	<u>(26,829)</u>
Total	<u>(25,568)</u>	<u>(191)</u>	<u>(25,759)</u>	<u>(5,883)</u>	<u>(31,642)</u>

Purpose of Reserves

Details for 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.

Usable 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 of non-housing services
Housing Revenue Account	Resources available to meet future running costs of council houses
Financial Instruments Adjustment Account	Accounts for the timing differences in the different methods of accounting for Financial Instruments
Accumulated Staff Absence	The authority's 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.

	2016/17	2015/16
	£000's	£000's
Balance as at 1 April	(25,067)	(28,024)
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	2,101	6,113
Amortisation of intangible assets	64	63
Revenue expenditure funded from capital under statute	191	244
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	2,240	2,432
	4,596	8,852
Adjusting amounts written out of the Revaluation Reserve	(655)	(928)
Notional Gain on Revaluation of Investment Property	(1)	(153)
Notional Gain on Revaluation of Investment Property		(17)
Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year	(21,127)	(20,270)
Capital financing applied in the year		
Use of Capital Receipts Reserve to finance new capital expenditure	(12)	(66)
Use of Major Repairs Reserve to finance new capital expenditure	(1,214)	(1,185)
Application of grants to capital financing from the Capital Grants Unapplied Account and other Reserves	(38)	(1,380)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(463)	(271)
Capital expenditure charged against the General Fund and HRA balances	(1,356)	(1,895)
	(3,083)	(4,797)
Balance as at 31 March	(24,210)	(25,067)

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>2016/17</u>	<u>2015/16</u>
	<u>£000's</u>	<u>£000's</u>
Balance as at 1 April	(13,312)	(13,426)
Upward revaluation of assets	(12,770)	(2,030)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	50	1,199
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(12,720)	(831)
Amount written off to the Capital Adjustment Account	655	928
Adjustment for Revaluation Gain on Investment Properties Prev. Yr		17
Balance as at 31 March	<u>(25,377)</u>	<u>(13,312)</u>

25. Pensions Fund Reserve

The Pension Fund 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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Fund 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

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Balance as at 1 April	18,586	24,677
Transfer to Pension Reserve	(5)	(5)
Remeasurements of the net defined benefit liability/(asset)	3,562	(6,977)
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.	1,512	1,773
Employer's Pension Contributions and direct payments to the pensioners payable in the year.	(978)	(882)
Balance as at 31 March	<u>22,677</u>	<u>18,586</u>

26. Cash Flow Statement - Investing Activities

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Purchase of Property, Plant and Equipment	4,226	11,737
Proceed of the Sale of Property, Plant and Equipment	(739)	(374)
Other Receipts from Investing Activities	(440)	(75)
Net Change in Investments	1,500	(4,000)
Total Investing Activities	<u>4,547</u>	<u>7,288</u>

27. Cash Flow Statement - Financing Activities

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Cash Receipts from Long and Short Term Borrowing	3,500	(8,000)
Repayments of Short Term and Long Term Borrowing	(4,963)	3
Appropriation to/from the Collection Fund Adjustment Account	(222)	(71)
Other Payments for Financing Activities	(383)	(143)
Total Financing Activities	<u>(2,068)</u>	<u>(8,211)</u>

28. Net Movement in Liquid Resources

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

	<u>As at 31st March 2017</u>	<u>As at 31st March 2016</u>	<u>Increase/ (Decrease) in Year</u>
	£000's	£000's	£000's
Money Market	2,617	3,961	(1,344)
Short Term Deposits	<u>2,617</u>	<u>3,961</u>	<u>(1,344)</u>

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 31/03/2017	As At 31/03/2016
	£000's	£000's
Net Movement in other Liquid Resources	(383)	(244)

29. Operating and Finance Leases

Operating Leases

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

2016/17			2015/16
	Other		
Vehicles	Equipment	Total	Total
£000's	£000's	£000's	£000's
76	2	78	101

At 31 March 2017 the Council had commitments in respect of operating leases for future years as shown below.

As at 31st March 2017

	Vehicles	Other	Total
	£000's	Equipment	£000's
	£000's	£000's	£000's
Less than 1 year	24	2	26
Between 1 and 5 years	30	5	35
Total	54	7	61

As at 31st March 2016

	Vehicles	Other	Total
	£000's	Equipment	£000's
	£000's	£000's	£000's
Less than 1 year	75	2	77
Between 1 and 5 years	47	7	54
Total	122	9	131

Finance Leases

During 2016/17 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 £13,387 at 31 March 2017 (£26,774 at 31 March 2016).

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Minimum Lease Payments	2016/17	2015/16
	£000's	£000's
Amounts Payable under Finance Leases		
Within One Year	16	16
Between One and Five Years	8	24
Less Future Finance Charges	(3)	(6)
Present Value of Minimum Lease Payments	21	34
Included in:		
Current Liabilities	14	14
Non-current Liabilities	7	20
Total	21	34

The total future minimum lease payments amount to £23,855 which includes future rental cost of £20,080 at 31 March 2017.

30. Note to The Expenditure and Funding Analysis

2016/17	Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	
	£000's	£000's	£000's	£000's
Welfare and Taxation	7	(9)	0	(2)
Finance and Corporate	208	(64)	0	144
Community Services	0	(2)	0	(2)
Depot Operations	320	(20)	0	300
Regulatory Services	360	(4)	0	356
Planning and Economic Development	20	(3)	0	17
Leisure Services	694	(4)	0	690
Housing Revenue Account	925	(9)	0	916
Net Cost of Services	2,534	(115)	0	2,419
Other Income and Expenditure from the Expenditure and Funding Analysis	1,144	533	(199)	1,478
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3,678	418	(199)	3,897

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	
	£000's	£000's	£000's	£000's
Welfare and Taxation	7	20	0	27
Finance and Corporate	199	(10)	0	189
Community Services	0	4	0	4
Depot Operations	290	49	0	339
Regulatory Services	238	4	0	242
Planning and Economic Development	22	9	0	31
Leisure Services	3,517	7	0	3,524
Housing Revenue Account	1,994	17	0	2,011
Net Cost of Services	6,267	100	0	6,367
Other Income and Expenditure from the Expenditure and Funding Analysis	3,751	891	(75)	4,567
Difference between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	10,018	991	(75)	10,934

Note 1 - Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing, i.e. Minimum Revenue Provision, and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 2 – Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute, and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Note 3 – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement, and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences of premiums and discounts.
- **Taxation and non-specific grant income and expenditure** – this charge represents the difference between, what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Income received on a segmental basis is analysed below:

	<u>2016/17</u>	<u>2015/16</u>
	Income from Services £000's	Income from Services £000's
Services		
Welfare and Taxation	(9,418)	(9,517)
Finance and Corporate	(535)	(570)
Community Services	(112)	(151)
Depot Operations	(646)	(497)
Regulatory Services	(355)	(292)
Planning and Economic Development	(239)	(194)
Leisure Services	(566)	(449)
Housing Revenue Account	(5,134)	(5,188)
Total Income analysed on a Segmental Basis	<u>(17,005)</u>	<u>(16,858)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

31. Expenditure and Income Analysed By Nature

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

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Expenditure / Income		
Expenditure		
Employee benefits expenses	6,304	6,353
Other services expenses	13,429	13,620
Support service recharges	1,212	1,030
Depreciation, amortisation, impairment	2,520	6,583
Interest payments	2,297	2,259
Precepts and levies	3,880	3,724
Payments to Housing Capital Receipts Pool	179	148
Gain on the disposal of assets	1,501	1,912
Total Expenditure	<u>31,322</u>	<u>35,629</u>
Income		
Fees, charges and other service income	(7,573)	(7,109)
Interest and investment income	(962)	(890)
Income from council tax, non-domestic rates and district rate income	(8,669)	(8,265)
Government grants and contributions	(10,839)	(11,741)
Total Income	<u>(28,043)</u>	<u>(28,005)</u>
Surplus or Deficit on the Provision of Services	<u>(3,279)</u>	<u>(7,624)</u>

32. Members Allowances

In 2016/17 the Council paid allowances to Members totalling £172,054 (2015/16 £153,441). The increase on the previous year reflects the increase in the basic allowance recommended by the independent remuneration panel.

33. Audit Costs

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

	<u>2016/17</u>	<u>2015/16</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	50
Fees payable to the Council's auditors for the certification of grant claims and returns.	13	8
Fees payable in respect of other services.	1	5
	<u>57</u>	<u>63</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

34. 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 party, a Register of Interest is used to record and monitor related party transactions. Disclosure forms were also completed by both Members and Chief Officers. Any declarations made by members are listed below. Leicestershire County Council, Leicestershire Police and the Leicestershire Local Government Pension Scheme are considered to be related party transactions, their year end balances being:

	2016/17	2015/16
	Payments	Payments
	£000's	£000's
Leicestershire County Council	315	317
Leicestershire County Council, Pension Fund	978	882
Leicestershire County Council - Year End Debtor	15	14
Leicestershire County Council - Year End Creditor	164	177
Leicestershire Police Authority	5	4
	1,477	1,394
	Precepts	Precepts
	£000's	£000's
Leicestershire County Council	20,403	19,393
Leicestershire Police	3,143	3,043
Leicestershire and Rutland Fire Authority	1,055	1,022
	24,601	23,458
Total	26,078	24,852

In 2016/17 the Council received a number of Government grants. These have been listed in notes 9 and 38 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

	2016/17		2015/16	
	Receipts	Payments	Receipts	Payments
	£000's	£000's	£000's	£000's
Leicestershire County Council				
Safer Communities Grant	18	0	20	0
Supporting People Grant	0	0	41	0
Council Tax Support	0	0	1	0
Community/Youth Grants				
South and West				
Leicestershire CAB	0	33	0	34
Senior Citizen's Action Group	0	11	0	10
Bosom Baby Support	0	1	0	0
Leicester Stroke Club	0	1	0	0
Age UK – Oadby & Wigston	0	6	0	6
Civic Orchestra	0	0	0	2
Friends of Brocks Hill	0	0	0	2
Grant of Lions	0	0	0	2
Helping Hands	0	33	0	15
Phoenix Therapies	0	0	0	3
Wigston Foodies	0	0	0	2
Oadby Remembers 1914 – 1918	0	6	0	0
Pride of the Borough	0	5	0	5

Councillor Mr D Carter was the Treasurer of the 'Oadby Remembers 1914-1918' Group, which received a one-off grant in 2016/17 of £6,500 from the Council. He is also a committee member of the Pride of the Borough, which receives an annual grant from the Council of £5,200.

Councillor Mrs H Loydall is the Chairwoman of the Senior Citizen's Action Group which receives an annual grant of £10,000 from the Council.

Councillor Mr K Loydall is a member of the Oadby & Wigston Lions Club, which hired a room at the Freer Centre from the Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

35. 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 2016/17 is as follows;

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	2016/17	98	0	0	25	123
	2015/16	97	0	0	24	121
Director of Service Delivery	2016/17	80	0	0	21	101
	2015/16	79	0	0	19	98
Chief Financial Officer	2016/17	0	0	0	0	0
	2015/16	4	0	0	0	4

During the financial year 2016/17 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 are as follows £78,609 for 2016/17 (£36,573 for 5 months of 2015/16).

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	2016/17	2015/16
£50,000 - £55,000	0	1
£55,000 - £60,000	0	0
£60,000 - £65,000	1	1
£65,000 - £70,000	0	1
	1	3

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17				
Exit Package Cost Band	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	2	0	2	4,897
Total	2	0	2	4,897

2015/16				
Exit Package Cost Band	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	7	4	11	59,657
Total	7	4	11	59,657

36. Termination Benefits

The Council has terminated the contracts of two employees in the year through redundancy. The cost of this movement was £4,897 (2015/16 £59,657) - see note 35 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.

37. 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 2016/17 the Council paid an employer's contribution of £932,355 (2015/16 £822,931) into the Leicestershire County Council Superannuation Fund, representing 28.17% (2015/16 25.95%) of pensionable pay.

In addition the Council made payments into the Leicestershire County Council Superannuation Fund relating to added years benefits of £45,402 (2015/16 £59,119), representing 1.37% (2015/16 1.86%) of pensionable pay.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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

	2016/17	2015/16
	£000's	£000's
<u>Cost of Services</u>		
Service Cost comprising		
Current Service Cost	864	970
Past Service Costs	0	12
Financial and Investment Income and Expenditure		
Net interest expense	648	791
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,512	1,773

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)	(4,292)	674
Actuarial gains and losses arising on changes in demographic assumptions	(607)	
Actuarial gains and losses arising on changes in financial assumptions	10,055	(6,883)
Other	(1,594)	(768)
Transfer to Pension Reserve for Post Year Actuaries Adjustment		
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	3,562	(6,977)

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.

	68	61
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Actual amount charged against the General Fund Balance for pension in the year

Employers contribution payable to scheme	937	841
Retirement benefits payable to pensioners	46	46

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	2016/17 £000's	2015/16 £000's
Present Value of the Defined Benefit Obligation	54,977	45,971
Fair Value of the plan assets	<u>(32,300)</u>	<u>(27,385)</u>
Net liability arising from Defined Benefit Obligation	<u>22,677</u>	<u>18,586</u>

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

	2016/17 £000's	2015/16 £000's
Opening fair value of scheme assets	<u>27,385</u>	<u>27,550</u>
Interest Income	952	876

Remeasurement gain/ (loss)

The return on plan assets, excluding the amount included in the net interest expense

	4,292	(674)
Contributions from employer	937	841
Contribution from employees into the scheme	215	209
Benefits paid	(1,481)	(1,417)
Other (if applicable)	0	0
Closing fair value of scheme assets	<u>32,300</u>	<u>27,385</u>

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

	2016/17 £000's	2015/16 £000's
Opening balance at 1st April	<u>45,971</u>	<u>52,227</u>
Current Service Costs	864	970
Interest cost	1,600	1,667
Contributions from scheme participants	215	209

Remeasurement (gain) and loss

Actuarial gain/loss arising from changes in demographic assumptions	(607)	0
Actuarial gain/loss arising from changes in financial assumptions	10,055	(6,883)
Other	(1,594)	(768)
Past service cost	0	12
Benefits Paid	(1,527)	(1,463)
Adjustment for 2015/16 Actuarial report	0	0
Closing balance at 31st March	<u>54,977</u>	<u>45,971</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

	2016/17	2015/16
	£000's	£000's
Cash and cash equivalents	2,063	548
Equity Securities	834	748
Debt Securities	3,136	2,573
Private Equity	1,220	1,051
Real Estate	2,596	2,789
	9,849	7,709
Investment Funds and Unit Trusts:		
Equities	15,470	13,435
Bonds	2,896	2,947
Hedge Funds	1,084	1,243
Commodities	761	589
Infrastructure	1,446	715
Other	809	747
	22,466	19,676
Derivatives: Foreign Exchange	(15)	0
Total Assets	32,300	27,385

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 31 March 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2016/17	2015/16
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.1	22.2
Women	24.3	24.3
Longevity at 65 for future pensioners		
Men	23.8	24.2
Women	26.2	26.6
Rate of Inflation		
Rate of increase in salaries	3.4%	3.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.5%	3.5%

NOTES TO THE CORE FINANCIAL STATEMENTS

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Employer's Liability	Appropriate Monetary Amount
	%	£000's
Change in Assumptions at 31st March 2017		
0.5% decrease in Real Discount Rate	9	4,979
1 Year increase in member life expectancy	3	1,379
0.5% increase in the Salary Increase Rate	1	513
0.5% increase in the Pensions Increase Rate	8	4,406

38. Revenue and Capital Grants

The Council has credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during 2016/17:

	2016/17	2015/16
	£000's	£000's
Revenue :		
Rent Allowance	5,947	6,081
Benefit Administration	178	202
Rent Rebates	2,904	2,786
Local Land Charges Court Case Grant	0	33
Housing Benefit New Burdens Grant	23	19
Council Tax Support New Burdens Grant	1	13
Local Authority Data Sharing	15	7
Individual Electoral Registration Grants	9	15
Enhanced Land Valuation Grant	0	5
Big Lottery Fund (Boulter Crescent)	0	29
Safer Communities	18	20
Physical Activity Development Grant	15	0
Physical Activity Development Grant	107	142
Letting Agents Transparency	1	1
Right to Move Grant	0	53
Local Development Order Grant	0	45
NHS Community Grant Scheme	0	7
PCC Youth Diversion Grant	0	8
Food and Fuel Scheme Grant	0	4
Heritage Lottery Fund - Brocks Hill Grant	18	22
	9,236	9,492
Capital :		
Improvement Grants	177	177
Transformation Challenge Award	0	60
	177	237
Total	9,413	9,729

NOTES TO THE CORE FINANCIAL STATEMENTS

39. Capital Expenditure

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

	2016/17	2015/16
	£000's	£000's
Opening Capital Financing Requirement	32,366	22,308
Capital Investment		
Property, Plant, Equipment and Intangible Assets	4,229	14,611
Revenue Expenditure Funded from Capital under Statute - Other	368	421
 Sources of Finance		
Capital Receipts	(12)	(66)
Government Grants and Other Contributions	(1,399)	(2,742)
Revenue Contribution	(1,386)	(1,895)
Revenue Provision	(463)	(271)
Closing Capital Financing Requirement	33,703	32,366
 Explanation of Movement in Year		
Increase/Decrease in underlying need for supported Borrowing	0	0
Increase/Decrease in underlying need for unsupported Borrowing	1,337	10,058
	1,337	10,058

General Fund capital expenditure in 2016/17 resulted in a net increase in the underlying need for unsupported borrowing of £1,337,541 (2015/16 £10,058,057).

40. 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 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.

	2016/17	2015/16
	£000's	£000's
General Fund Charge	463	271
HRA Charge	0	0
Minimum Revenue Provision	463	271

The provisions for depreciation and impairment 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.

	2016/17	2015/16
	£000's	£000's
Minimum Revenue Provision	463	271
Amount Charged as Depreciation	(1,119)	(1,454)
Amount Charged as Impairment	(121)	(2,573)
Additional Charge to/from the General Fund Balance	(777)	(3,756)

41. Analysis of Net Assets Employed

	31st March 2017 £000's	31st March 2016 £000's
General Fund	(4,395)	2,211
Housing Revenue Account	35,836	23,548
	31,441	25,759

NOTES TO THE CORE FINANCIAL STATEMENTS

42. Information on Assets Held

Fixed assets owned by the Council include the following;

	No. as at 31st March 2017	No. as at 31st March 2016
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
Pavilions	7	7
Public Conveniences	4	4
Sports Centre	2	1
Swimming Pools	0	1
Sports Grounds & Parks	17	17
Vehicle Workshop	1	1
Brocks Hill Visitor Centre	1	1
Brocks Hill Country Park	1	1
Investment Property		
Shops	3	3
Countesthorpe Road Sports Ground	0	1
Council Dwellings	1,225	1,235
Total	1,519	1,530

43. Financial Instruments Balances

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

	Long - Term Balances		Current Balances	
	2016/17	2015/16	2016/17	2015/16
	£000's	£000's	£000's	£000's
Financial Liabilities at Amortised Cost	(24,084)	(19,133)	(6,293)	(10,831)
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Total Borrowings	(24,084)	(19,133)	(6,293)	(10,831)
Loans and Receivables	28	12	3,949	5,388
Available-for-Sale Financial Assets	0	0	0	0
Total Investments	28	12	3,949	5,388

NOTES TO THE CORE FINANCIAL STATEMENTS

44. 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	
	2016/17	2015/16
	<u>£000's</u>	<u>£000's</u>
Interest Expense	697	579
Interest Income	(10)	(14)
Net (Gain)/Loss for the Year	<u>687</u>	<u>565</u>

45. 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 2017 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 2017		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Financial Liabilities	(30,377)	(35,411)	(29,964)	(33,208)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2017		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Loans and Receivables	3,977	3,977	5,400	5,400

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

46. 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 minimize 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;
 - The maximum and minimum exposures to fixed and variable rates;
 - The maximum and minimum exposures to the maturity structure of its debt;
 - The 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 2016	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31st March 2015	Estimated Maximum Exposure to Default and Uncollectibility
	£000's	%	%	£000's
	A	B	C	(A x C)
Deposits with banks and financial Institutions				
Local Authorities	1,500	0.00	0.00	0.00
A'AA' Rated Counterparties	0	0.00	0.00	0.00
'AA' Rated Counterparties	0	0.02	0.02	0.00
'A' Rated Counterparties	0	0.06	0.06	0.00
BBB' Rated Counterparties	1,171	0.00	0.21	2.52
Sundry Debtors *	944	0.04	0.04	37.76
Other Debtors	135	0.04	0.04	5.40
Housing Rents	253	0.02	0.02	5.06
				50.74

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Less than three months	162	145
Three to six months	57	64
Six months to one year	78	117
More than one year*	647	708
	<u>944</u>	<u>1,034</u>

* The majority of debt that has been outstanding for more than one year relates to the overpayment of housing benefit where instalment payments have 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 Public Works Loan Board (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 action 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 the Treasury Strategy and Plan and Investment Strategy to 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 to provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	2016/17	2015/16
	£000's	£000's
Less than one year	(6,293)	(10,831)
Between one and two years	(507)	(513)
Between two and five years	(3,019)	(506)
More than five years	(20,558)	(18,114)
	(30,377)	(29,964)
Bank Overdrawn	(516)	(419)
Short Term Creditors*	(1,232)	(2,402)
Short Term Borrowing	(4,545)	(8,010)
Long Term Creditors	(7)	(19)
Long Term Borrowing	(24,077)	(19,114)
	(30,377)	(29,964)

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

*Amounts owing to and from central government and other local government agencies are not deemed financial instruments, as they represent statutory obligations, rather than tradable instruments. Consequently, the short-term creditors figure here is lower than the Balance Sheet figure.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

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 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	£000's	£000's
Increased return on money market investments	(14)	(11)
Impact on Income and Expenditure Account	(14)	(11)
Share of Overall Impact Credited to the HRA	(7)	(8)

The current Bank of England Base Rate is 0.25%. 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.

47. 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 currently involved in a judicial review pertaining to a licensing matter. If settled against the Council's favour, this is estimated to cost £30,000.

In February 2017 the Council, received notification of a potential tree root claim relating to a planning decision. The outcome of this claim is uncertain but the current estimate placed on it is £35,000.

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

2016/17 saw the a revising of the segments in the Comprehensive Income and Expenditure Account as well as the introduction of the Expenditure and Funding Analysis. This means that the 2015/16 figures on the CIES have restated into the new format. Other than this there have been no prior year adjustments to the 2016/17 Financial Statements.

**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 (HRA) 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>2016/17</u>	<u>2015/16</u>
Note	£000's	£000's
Expenditure		
Repairs and maintenance	1,237	1,199
Supervision and management	1,366	1,378
Rents, rates, taxes and other charges	19	34
Depreciation and impairment of non-current assets	6, 7 925	2,147
Debt management charges	10	9
Increase in bad debt provision	7	32
Total Expenditure	<u>3,564</u>	<u>4,799</u>
Income		
Dwellings rent	(4,956)	(4,953)
Non dwellings rent	(74)	(88)
Charges for services and facilities	(104)	(148)
Total Income	<u>(5,134)</u>	<u>(5,189)</u>
Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		
	(1,570)	(390)
HRA services share of Corporate and Democratic Core	300	300
HRA Share of other amounts included in whole authority net expenditure of continuing operations not allocated to specific services	0	0
Net Income of HRA Services	<u>(1,270)</u>	<u>(90)</u>
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement :		
(Gain)/Loss on the Sale of HRA non-current assets	(176)	(76)
De-recognition of Non-Current Assets	1,676	1,038
Interest and investment income	(7)	(11)
Interest payable and similar charges	539	539
Pensions interest cost and expected return on pension assets	84	87
(Surplus) / Deficit for the Year on HRA Services	<u>846</u>	<u>1,487</u>

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.

	2016/17	2015/16
Note	£000's	£000's
Balance on the HRA at the end of the previous reporting period	(1,346)	(2,723)
(Surplus) / Deficit for the year on the HRA Income and Expenditure Statement	848	1,487
Adjustments made between Accounting Basis and funding basis under statute	1 <u>71</u>	<u>(130)</u>
Net (increase) or decrease before transfers to or from reserves	919	1,357
Transfers to or (from) Reserves	<u>(6)</u>	<u>20</u>
(Increase) or decrease in year on the HRA	913	1,377
Balance on the HRA at the end of the current reporting period	<u>(433)</u>	<u>(1,346)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Adjustment Between Accounting Basis and Funding Basis Under Statute

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Impairment of non-current assets	0	(1,271)
(Gain) / loss on the sale of non-current assets	176	76
Accumulating compensating absences	(2)	(2)
De-recognition of non-current assets	(1,676)	(1,038)
Net charges made for retirement benefits in accordance with IAS 19	(197)	(195)
Transfer (to) / from major repairs reserve	287	308
Revenue contribution to capital	1,356	1,895
Employers contribution payable to the Leicestershire Pension Fund and retirement benefits payable direct to pensioners	127	97
Adjustments made between Accounting Basis and Funding Basis under Statute	<u>71</u>	<u>(130)</u>

2. Balance Sheet Value of Authority's Housing Stock

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Operational Assets		
Dwellings	55,720	42,842
Other Land and Buildings	1,012	1,012
	<u>56,732</u>	<u>43,854</u>
Non Operational Assets		
Investment Property	157	156
Total	<u>56,889</u>	<u>44,010</u>

The vacant possession value of dwellings at 31 March 2017 was £132,666,000 (31 March 2016 £126,004,500), against a balance sheet value of £55,719,720 (31 March 2016 £42,841,530) at the same point in 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. The principal reason for the increase in value of the Council's dwellings is the change in the 'Fair Value [EUV-SH] Adjustment Factor' from 34% in 2015/16 to 42% this year.

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Housing Stock

The Council was responsible for managing on average 1,230 dwellings during 2016/17. The stock at year end was as follows;

	<u>2016/17</u>	<u>2015/16</u>
	Number	Number
Houses / Bungalows	684	689
Flats / Maisonettes	541	546
Total Stock	<u>1,225</u>	<u>1,235</u>

The change in stock can be summarised as follows;

	<u>2016/17</u>	<u>2015/16</u>
	Number	Number
Stock at 1 April	1,235	1,240
Sales	(10)	(6)
Additions	0	1
Stock at 31 March	<u>1,225</u>	<u>1,235</u>

4. Major Repairs Reserve

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Balance at 1 April	0	0
Amounts Transferred In	927	877
Transfers to/(from) HRA	287	308
Used for Capital Expenditure	(1,214)	(1,185)
Balance at 31 March	<u>0</u>	<u>0</u>

5. Funding of HRA Stock

A total of £3,792,849 was spent on the Authority's housing stock in 2016/17 (£3,265,082, in 2015/16).

This was funded as follows:

NOTES TO THE HOUSING REVENUE ACCOUNT

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Major Repairs Reserve	1,214	1,185
Revenue Funding	1,356	1,895
Unsupported Borrowing	1,223	0
Usable Capital Receipts	0	46
Regeneration Reserve	0	139
	<u>3,793</u>	<u>3,265</u>

HRA Capital Receipts retained by the Authority for 2016/17 totalled £534,370 (2015/16 £317,210). These were entirely attributable to the sale of council houses under the Right to Buy Scheme.

6. Depreciation and Amortisation

The total charge for non current assets within the Authority's HRA during the financial year 2016/17 is £925,413.

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Dwellings	823	793
Other Land & Buildings	88	70
Intangibles (Computer Software)	14	13
Total	<u>925</u>	<u>876</u>

7. Impairment of HRA Assets

There was no impairment charge made to the HRA for 2016/17 due to Central Government changes in valuation guidelines.

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Dwellings	0	1,271
Total	<u>0</u>	<u>1,271</u>

8. Rent Arrears

During the year rent arrears have decreased by £11,929.

	<u>2016/17</u>	<u>2015/16</u>
	£000's	£000's
Arrears at 31 March	253	265

NOTES TO THE HOUSING REVENUE ACCOUNT

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 2017 is £151,748 (31 March 2016 £151,980).

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 £196,560 in 2016/17 (£195,030 in 2015/16).

- (ii) Employers Contributions to Leicestershire County Council pension fund and retirement benefits paid direct to pensioners. This amounted to £127,108 in 2016/17 (£97,025 in 2015/16).

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 cost 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.

COLLECTION FUND

Accounting Policies

1. Income and Expenditure

The accounts have been prepared on an accruals basis. This means 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 cannot yet be determined accurately.

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

THE COLLECTION FUND ACCOUNT

2015/16			2016/17			
Business Rates £000's	Council Tax £000's	Total £000's		Business Rates £000's	Council Tax £000's	Total £000's
Income						
0	25,799	25,799		0	27,054	27,054
Council Tax Payers						
Transfers from General Fund -						
0	4	4		0	2	2
Council Tax Benefits						
12,379	0	12,379	3	12,212	0	12,212
Business Ratepayers						
Apportionment of Previous Year Deficit -						
217	0	217		351	0	351
Central Government						
174	0	174		281	0	281
Oadby & Wigston Borough Council						
39	0	39		63	0	63
Leicestershire County Council						
Leicester, Leicestershire & Rutland						
4	0	4		7	0	7
Combined Fire Authority						
<u>12,813</u>	<u>25,803</u>	<u>38,616</u>		<u>12,914</u>	<u>27,056</u>	<u>39,970</u>
Total Income						
Expenditure						
11,826	25,502	37,328	4	12,249	26,759	39,008
Precepts and Demands						
56	0	56		57	0	57
Costs of Collection						
5	0	5		5	0	5
Court Costs						
Bad and Doubtful Debts -						
41	32	73		69	14	83
Write Offs						
60	53	113		(22)	75	53
Provisions						
612	0	612		12	0	12
Appeals						
Apportionment of Previous Year Surplus -						
0	43	43		0	37	37
Oadby and Wigston Borough Council						
0	225	225		0	197	197
Leicestershire County Council						
Leicester, Leicestershire & Rutland						
0	13	13		0	11	11
Combined Fire Authority						
Police and Crime Commissioner for						
0	37	37		0	33	33
Leicestershire						
<u>12,600</u>	<u>25,905</u>	<u>38,505</u>		<u>12,370</u>	<u>27,126</u>	<u>39,496</u>
Total Expenditure						
(213)	102	(111)		(544)	70	(474)
Movement on Fund						
896	(339)	557		682	(237)	445
Balance at Beginning of Year						
<u>683</u>	<u>(237)</u>	<u>446</u>		<u>138</u>	<u>(167)</u>	<u>(29)</u>
(Surplus)/Deficit on Fund at End of Year						
Allocated to -						
341	0	341		69	0	69
Central Government						
273	(32)	241		55	(22)	33
Oadby and Wigston Borough Council						
62	(168)	(106)		13	(119)	(106)
Leicestershire County Council						
Leicester, Leicestershire & Rutland						
7	(28)	(21)		1	(7)	(6)
Combined Fire Authority						
Police and Crime Commissioner for						
0	(9)	(9)		0	(19)	(19)
Leicestershire						
<u>683</u>	<u>(237)</u>	<u>446</u>		<u>138</u>	<u>(167)</u>	<u>(29)</u>

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 31st March 2017.

<u>Authority</u>	<u>Arrears</u> £000's	<u>Bad Debt</u> <u>Provision</u> £000's	<u>Over & Pre</u> <u>payments</u> £000's	<u>(Surplus)</u> <u>/Deficit</u> £000's	<u>Balance</u> <u>Payable</u> <u>£000's</u>	<u>Balance</u> <u>2016/17</u> <u>£000's</u>
Leicestershire County Council	936	(332)	(365)	(119)	(120)	(64)
Leicestershire Police Authority	149	(53)	(58)	(20)	(18)	(10)
Combined Fire Authority	50	(18)	(20)	(7)	(5)	(4)
Total Other Major Preceptors	1,135	(403)	(443)	(146)	(143)	(78)
Oadby & Wigston Borough Council	169	(60)	(66)	(22)	(21)	(10)
Total All Preceptors	1,304	(463)	(509)	(168)	(164)	(88)

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 2016/17 has increased to £16,944.20 (£16,698.90 in 2015/16).

NOTES TO THE COLLECTION FUND ACCOUNT

Band	Estimated No. of Taxable Properties after Effect of Discounts	Ratio	No. of Band D Equivalent Dwellings
Z	7.81	5/9	4.34
A	2,477.94	6/9	1,651.96
B	4,806.78	7/9	3,738.61
C	6,009.92	8/9	5,342.15
D	2,682.23	9/9	2,682.23
E	1,713.70	11/9	2,094.52
F	453.81	13/9	655.50
G	417.63	15/9	696.05
H	60.75	18/9	121.50
Total	18,630.57		16,986.86
Add Adjustment**			215.37
Deduct Allowance for Losses in Collection			(258.03)
Council Tax Base			16,944.20

** Adjustment

The adjustment relates to anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, exempt properties, 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 2016/17 to the value of £3,541,171 (£3,511,905 in 2015/16) (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 £1,305,602 (£1,294,813 in 2015/16). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection

NOTES TO THE COLLECTION FUND ACCOUNT

payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2014) not allowed for when the safety net was set.

A further Safety Net or Levy system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of its Baseline Funding. A Safety Net grant is paid if the authority's yield falls below this with a Levy being imposed if it is greater. In 2016/17 The Council was in a Levy position of £47,535 (Levy of £20,012 for 2015/16).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency, and hence business rates outstanding as at 31 March 2017. 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 2016/17 has been calculated at £1,438,829 (£1,426,941 in 2015/16).

The total non-domestic rateable value at 31 March 2017 was £31,825,361 (£31,455,888 31 March 2016). The national non-domestic multipliers for the year were:

Full 0.497 (0.493 for 2015/16)
 Small Business 0.484 (0.480 for 2015/16)

Shown below are the allocations to all preceptors as at 31 March 2017.

<u>Authority</u>	<u>Arrears</u> £000's	<u>Bad Debt</u> <u>Provision</u> £000's	<u>Over & Pre</u> <u>payments</u> £000's	<u>(Surplus)</u> <u>/Deficit</u> £000's	Balance Payable £000's	<u>Balance</u> 2015/16 £000's
Central Government	446	(868)	(233)	69	586	226
Leicestershire County Council	80	(156)	(42)	12	106	41
Combined Fire Authority	9	(17)	(5)	2	11	5
Total Other Major Preceptors	535	(1,041)	(280)	83	703	272
Oadby & Wigston Borough Council	356	(694)	(187)	55	470	182
Total All Preceptors	891	(1,735)	(467)	138	1,173	454

NOTES TO THE COLLECTION FUND ACCOUNT

4. Precepts and Demands

2015/16				2016/17		
Business Rates £000's	Council Tax £000's	Total £000's		Business Rates £000's	Council Tax £000's	Total £000's
1,065	18,104	19,169	Leicestershire County Council	1,102	19,103	20,205
0	3,006	3,006	Leicestershire Police Authority	0	3,111	3,111
118	1,009	1,127	Combined Fire Authority	123	1,044	1,167
5,913	0	5,913	Central Government	6,124	0	6,124
4,730	3,383	8,113	Oadby and Wigston Borough Council	4,900	3,501	8,401
<u>11,826</u>	<u>25,502</u>	<u>37,328</u>	Total	<u>12,249</u>	<u>26,759</u>	<u>39,008</u>

ANNUAL GOVERNANCE STATEMENT 2016/17**Scope of Responsibility.**

Oadby & Wigston 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 must make proper arrangements for the governance of its affairs and for facilitating the effective exercise of its functions including 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. This AGS shows how the Council has complied with the Code during 2015/16 and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011.

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 achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk at 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 how to manage them efficiently, effectively and economically are key parts of the Council's Medium Term Financial Strategy and its Corporate Plan.

This AGS confirms that the governance framework has been in place for the financial year ended 31 March 2017 and up to the date of the approval of the Statement of Accounts.

The Governance Framework

Current Governance Structure

Oadby & Wigston Borough Council has retained a committee system. The majority of UK local authorities now operate using a cabinet system where a small group of members have been given the power to make the majority of decisions on behalf of their Council.

The benefits of retaining the committee system are that all members are able to sit on a range of decision making committees and every member has a vote that counts. This is the cornerstone of the Council's governance – members are not marginalised in decision making. All decisions are debated and made during open committee in full public view. Closed sessions, for instance where commercially sensitive matters need to be discussed, are kept to an absolute minimum. Only the most urgent decisions are delegated to the Chair/Vice Chair of committees, and these must be reported back to the main committee as soon as possible. In addition to the statutory committees that deal with development control and with licensing, 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 direct responsibility for the day-to-day operation of all services.

Visions and Priorities

The latest Corporate Plan was agreed by Council in February 2017 and the MTFS reflects the Plan's priorities:

Protect the Borough

- a. The Council will resist any attempt by either the City or County Councils to impose their control over the Borough.
- b. The Council will work cooperatively and consensually with all the other Councils in Leicester and Leicestershire in order to form a Combined Authority and to seek the devolution of powers with the corresponding financial support from central government without the loss of its sovereignty.

Maintain Front Line Services

- a. The Council is committed to free shoppers' car parking and weekly collection of waste and recycling.

- b. No major changes would ever be made to these services without consultation.

Offering Choice when Possible

- a. The Council will offer choice whenever possible.
- b. When major decisions affecting front line services need to be considered the Council will ensure that all the options available are explained clearly and listen and respond to residents.

Save Money through Service Redesign

- a. The Council will look at all its services and redesign those that can be improved and cheaper to run.
- b. The main focus of this redesign will be the better and wider use of ICT, Council assets and procurement.

Involve Residents and Partners

- a. The Council is committed to continue with the town forums and to develop other community engagements systems.
- b. The Council will work with and continue to support partners

Economic Development

- a. The Council recognises the need to develop both housing and the town centres.
- b. This will be done with the maximum of public involvement and at minimum cost to the green spaces in the Borough

Greening the Borough

- a. The Council will continue to invest in and encourage activities which result in a greener Borough.
- b. The prioritising of the protection of trees will be a cornerstone of this commitment.

Improving the Health of Residents

- a. The Council wants to ensure residents live a full and healthy life.
- b. The Council will continue to develop its relationship with partners in order to develop and implement appropriate outcomes that attempt to achieve this.

Value for Money

- a. The Council will always accept any council tax freeze grant offered by the Government.
- b. The Council will endeavour to benchmark its services against the “most like” authorities to ensure transparency and demonstrate value for money.

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

These priorities will:

- Focus and drive forward the Council’s strategic plans over the next four years
- Form the basis of the Council’s Medium Term Financial Strategy
- Provide the direction for the allocation of available resources
- Set the parameters for annual service delivery and development plans

The Council’s financial plans are outlined in its Medium Term Financial Strategy – the latest update to the Strategy was agreed by Council in February 2017. The document outlines the financial objectives which the Council looks to achieve in order to meet continuing pressure on available resources. In addition, the Council has agreed its Housing Revenue Account business plan which sets out how housing services will be maintained and financed over the long term.

Quality of Services

Service plan targets and key performance indicators are set for each department within the annual service delivery and development plans. Progress against targets is monitored monthly by the management team and reported regularly to relevant committees. The Council’s financial position is reported against budget to every meeting of the Policy, Finance and Development Committee. Detailed budget information is provided to budget holders each month and dedicated project teams provide financial information for large projects or capital schemes.

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 agreed criteria, including the Council’s policies, its priorities, the outcome of public consultations, demonstration of continuous improvements, and responding to legislative change.

Achievement of the Council’s priorities has been monitored throughout financial year 2016/17 by the Council’s Senior Management Team and reports to the relevant committees. The monitoring of delivery against agreed priorities ensures the Council’s capacity to deliver projects within agreed costs, time and resources.

As part of the budget exercise, each year a critical review is carried out of existing services and budgets to ensure that resources are properly directed towards the achievement of agreed objectives and priorities. This process helps the Council to test that it continues to provide value for money services.

Financial Management

The financial elements of the Council's corporate business planning process are included in the Medium Term Financial Strategy, which has a three year planning horizon to assist in ensuring resources are available to support priorities. The Council has a good track record of financial management and internal control, but resources are necessarily limited and significant net savings year-on-year continue to be required.

The Council continues to ensure that the accounts are compliant with the Local Authority Accounting Code of Practice. Performance against budget is reported at committee meetings and managed by SMT and through the corporate business planning process. The Council ensures that the levels of reserves it holds are sustainable over the medium term. The MTFS takes account of the current economic climate and changes to funding for local government.

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 its treasury function to minimise risk exposure.

Decision Making, Scrutiny and Governance

The Council, the Policy, Finance and Development Committee and the Service Delivery Committee take decisions on service and management matters in line with terms of reference set out in the constitution. The committees meet four times each municipal year. The Policy, Finance and Development Committee undertake the role of the Audit Committee for the Council and provide continuous monitoring and scrutiny of financial management, performance, policy and action plans. Further challenge is provided by elected 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 is currently 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 is provided in the table below:

Table – Definition of Assurance Levels

Level of Significance	Criteria
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.
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole.

Regular meetings are held between CW Audit Services and the Chief Financial Officer (the Council’s Section 151 Officer) and with 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 challenges.

The Policy, Finance & Development Committee receives regular reports from the Council’s External Auditors (KPMG) and Internal Audit (CW Audit). Where appropriate, comments is made on non-compliance with legislation that has been identifies as part of a routine audit. The Chief Financial Officer has direct access to this committee as well as to the External Auditors. All members of the Policy, Finance & Development Committee receive training in risk management so as to allow them to appreciate the nature of risks presented to the Council through its activities.

There are governance arrangements in place to ensure that members and officers work together to achieve a common purpose with clearly defined functions and roles. The Council’s constitution includes a scheme of delegation and terms of reference for each committee. Responsibilities are set out to make clear how the Council and its committees operate within the organisation. The scheme of delegation also defines the powers granted to the Chief Executive (the Head of Paid Service) and other chief officers within the areas of their service responsibility. The constitution reflects all relevant legislation impacting on decision making in local government and is published on the Council’s website.

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

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The Council has a statutory responsibility to have a Section 151 Officer and a Monitoring Officer. At present 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 Chief Financial Officer ensures that appropriate advice is given on all financial matters and is also responsible for keeping proper financial records and maintaining an effective system of internal control.

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

The Monitoring Officer role is fulfilled by the Council's Director of Services, who acts as guardian of the Council's constitution to ensure lawfulness, probity and fairness in Council decision making. 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 to the constitution including the scheme of delegation. The annual review includes the constitution's terms of reference.

The Chief Financial Officer and the Director of Services report directly to the Chief Executive.

Officer decision making at a strategic level is led by the Senior Management Team, comprising the Chief Executive, interim Chief Financial Officer and the Director of Services. The Team meets usually on a weekly basis and standing items of business include finance, policy, governance, human resources, performance management and the delivery of the Council's priorities.

Standards of Conduct

Officers of the Council are expected to maintain high standards of conduct. The Council has a staff code of conduct that is published on the intranet along with other policies and procedures.

There is an agreed protocol between members and officers to ensure that a constructive working relationship exists and this Annual Governance Statement also promotes and demonstrates the values of good governance through upholding high standards of conduct and behaviour.

In addition, the Standards Committee operates to ensure that councillors and any co-opted members of the Council behave in a way that exemplifies high

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standards of conduct and effective governance and has regard to the member code of conduct.

Regular records of advice and code issues are kept by the Monitoring Officer.

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 provide advice on the application of the 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 the Council's gift and hospitality policy. The Council's website explains how complaints can be made against elected members by either downloading a complaint form or making a complaint on-line. The web page also has links to the code of conduct and the constitution. A register of the Council's contracts is published on the Council's website. In addition, details of the Council's spend on individual items over £250 is published on a quarterly basis.

Compliance

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 policies and advice on legal implications including legislative impacts on recommendations included in committee reports.

Equalities implications are also considered as part of committee reports.

Whistle Blowing

Concerns regarding non-compliance with policies, procedures, laws and regulations can be raised through the Council's anti-fraud and confidential reporting policies. Concerns raised are always investigated and acted upon following clearly defined guidelines.

The Whistle Blowing Policy is published on the Council's intranet and internet to raise awareness and outline procedures in place to staff, contractors and the public. It features in the induction of new staff.

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, proposal, decision or omission that s/he considers would give rise to unlawfulness or any decision or omission that might give rise to maladministration. Such a report would have the effect of stopping the proposal or decision being implemented until the report has been considered.

Officer and Member Development

The Council's staff appraisal process assesses performance and delivery of Council objectives and also identifies any skills gaps that need addressing. Each officer has an agreed annual personal development plan. Progress against these plans is reviewed regularly through one-to-one discussions with line managers. The process ensures that the Council continually keeps under review the levels of skills required to carry out functions with due regard to law, policy and regulation.

As part of the Council's 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 provided.

Training programmes and other development opportunities are circulated and shared more broadly using the Council's internal communication mechanisms. The Council also supports the training and development of members.

Consultation

Engaging with local people and other stakeholders to ensure robust public accountability is a key element of the governance framework. The Council takes every opportunity to consult with relevant stakeholders before taking any decisions likely to impact on the level and quality of services. In addition, the Council's 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 Resident Forums who can make recommendations to the Policy, Finance & Development Committee on how funds could be allocated to various projects within their geographic area. The Forums' membership is open to people who live in the three areas and this approach has been found to be a very good source of two-way communication and consultation around the Council's policy initiatives.

Reviewing the Effectiveness 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 senior managers within the Council who have responsibility for the development and maintenance of the governance environment. The annual report from the Council's Internal Audit service (CW Audit Services) is a key document in assessing the effectiveness of the Council's governance arrangements. Comments from External Auditors (KPMG) and other agencies and inspectorates such as the Local Government Association are also 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. Appropriate managers are responsible for producing their own service assurance statements and developing an improvement plan to rectify any identified governance weaknesses within their service areas. The Policy, Finance & Development Committee reviews the Annual Governance Statement and evaluates the strength of the underlying assurance statements and evidence.

Review of Effectiveness for 2016/17

Introduction

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 work of Internal and External Audit, as well as input from other review agencies and inspectorates. The sections below set out how the governance framework has been maintained and reviewed during 2016/17.

Key Matters

The following key matters were considered by the Council and its principal committees during 2016/17:

Council

- Budget proposals and budget monitoring
- Council Tax Base, Support and Setting
- Members' Code of Conduct
- Combined Authority for Leicester and Leicestershire
- Bus Services Bill
- Staffing Issues
- Land Charges Shared Services
- Delegated reports from Forums and Committees
- Council Tax Support Scheme
- Licensing Policy
- Members' Allowances
- Constitutional matters

Policy, Finance and Development Committee

- Individual internal audit reports and the annual report and plan
- Reports from the external auditor including the annual plan and report on the Statement of Accounts

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- Budgetary control and financial updates
- Treasury management and prudential indicators
- Debt recovery
- Residents' Forums
- Welfare Reform and Council Tax Support Scheme
- Pooling of Non-Domestic Rates
- Risk management
- Procurement
- Updating of Council policies and strategies
- Medium Term Financial Strategy and Housing Business Plan
- Financial regulations

Service Delivery Committee

- Housing allocations
- Homelessness
- Disabled Facilities Grants
- Leisure Contract Performance
- Service operational updates
- Fees and charges
- Corporate enforcement
- Empty homes strategy
- Customer Services transformation and charters
- Recycling

Local Government Ombudsman

There was one case where the Ombudsman found fault with the Council regarding homelessness and compensation of £300 was paid to the complainant.

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.

These three officers are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. No report can be presented to Council or a committee for approval without first being reviewed by these officers or their delegated representative(s). These officers are also responsible for ensuring that legislation and policy relating to health and safety are implemented in practice.

The constitution includes the Contract Procedure Rules and Financial Regulations which detail the processes and improvements required for

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various levels of purchase and the internal control procedures required for managing the risk across the Council.

Code of Conduct

The standards of behaviour expected from members and officers are set out in the Member/Officer Codes of Conduct. A register of members' interests 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 2016/17 by an independent remuneration panel.

Standards

The Council promotes excellence, probity and transparency in public services and provides training and advice for members on governance matters. Members have to abide by the constitution and the Code of Conduct in order to ensure high standards in the way they undertake their duties. Each Council is required to put in place arrangements dealing with complaints and standards issues. Since February 2014 this function has been discharged by the Policy, Finance & Development Committee. The Council has adopted a common code in collaboration with other local authorities in Leicestershire and Rutland. The Committee monitored performance of members, senior officers and the Council's committees as part of its work plan for 2016/17.

Scrutiny

The 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 other parts of the organisation. Since February 2014 each committee has scrutinised its own decisions as they are being debated and agreed in the public arena. Where necessary, time limited member task group may be convened by the Council to deal with any specific matter.

Audit Functions

The Council does not have a separate audit committee; instead, the constitutional audit functions are discharged by the Policy, Finance & Development Committee. The Committee receives reports from the Internal Audit service and can require service heads to attend to answer questions as required. Reports from the External Audit service are also received at these meetings.

External Audit

The Council's external auditors are KPMG.

Each year 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.

In October 2016 KPMG issued their Annual Audit Letter, covering the audit of the Council's 2015/16 financial statements and Value for Money conclusion, providing an unqualified opinion on the accounts and an unqualified conclusion on the Council's arrangements for Value for Money.

There were no recommendations included in the Letter and no significant governance issues were identified.

Internal Audit

The Council's Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the Council's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Policy, Finance and Development Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below. The Head of Internal Audit's role reflects best practice as set out in the CIPFA Guidance on the Role of the Head of Internal Audit.

For 2016/17, the auditor's opinion was that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk. No significant governance issues were identified by the auditor.

Corporate Plan

The Council's decision making practices are guided by the values and objectives set out in the 2016/17 Corporate Plan. This document simply consolidates in a focus document the Council's previously agreed priorities and governance arrangements.

The Corporate Plan was reviewed as part of the preparations for the 2017/18 municipal year.

Risk Management

During 2016/17 the Council's Strategic Risk Register was monitored by Policy, Finance & Development Committee. The register identified major risks and commented on their likelihood and impact on the Council's objectives.

Each risk is allocated a responsible officer for identifying an action plan and provides an update on residual risk for each quarter. Risk management is embedded in processes such as appraisal of new capital investment and service development plans.

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.

Member and Officer Training and Development

An induction programme was provided for all new members and officers. The member training programme is provided through the Leicestershire & Rutland Improvement Partnership. In-house training is provided for members to keep them up-to-date with changes in Council business such as new legislation. Statutory training for Licensing, Regulatory and Development Control functions was provided during 2016/17.

The skills and resources required by officers are set out in the person specification for each post. The Council's recruitment processes are designed to test that potential candidates have appropriate qualifications and experience. Development needs are identified through individual personal; development plans.

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 and other events for these took place during 2016/17 with agenda largely being set in conjunction with residents and other stakeholders.

All meetings were held in public to support the Council's commitment to transparency in consultation and decision-making. There was a high level of interest in matters discussed at the three Resident Forums as evidenced by the high level of attendance. Minutes of these meetings were produced with action lists of issues raised.

The Council communicated to residents through the Letterbox Newsletter which was circulated to all households on a quarterly basis. Key documents such as the corporate plan, statutory accounts and budget book were published and made available on the Council's website, setting out achievements, performance and planned activity. Regular staff communications were achieved through the staff and management notice boards. 'everyone' emails, and regular briefings from the Senior Management Team.

Partnership Working

During 2016/17 the Council continued to exploit fully opportunities for partnership working to ensure joined up service delivery and efficiency savings. Key partnerships involving the Council included the Community Safety and Crime and Disorder Reduction partnerships. At County level, the Council is involved in Leicestershire Together and works with other public sector organisations to improve the wellbeing of local people. From an operational point of view, the Council continued to pursue opportunities for joint work with other Councils.

Significant Governance Issues

None reported in 2016/17.

Conclusion and Statement from the Leader of the Council and Chief Executive

We propose over the coming year to take steps to address the significant governance issues discussed above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr John Boyce
Leader of the Council

Mark Hall
Chief Executive

GLOSSARY OF TERMS

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 Practice. 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 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:

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

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Examples of related parties of a pension fund include its:

- (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.

GLOSSARY OF TERMS

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;

GLOSSARY OF TERMS

- (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.