

**DISTRICT OF  
HARBOROUGH**

**STATEMENT OF ACCOUNTS  
2015/16**

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## **APPROVAL OF THE ACCOUNTS**

This Statement of Accounts was approved and adopted by Harborough District Council's Governance and Audit Committee at its meeting in September 2016.

**Councillor  
Chairman, Governance and Audit Committee  
22 September 2016**

## NARRATIVE REPORT

### Introduction

Welcome to the Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2016 which details the financial position of the Council. The Narrative Report is a new requirement (replacing the previous explanatory forward), this outlines the main issues affecting the Council and also provides a summary of the financial position at 31<sup>st</sup> March 2016.

The Council's accounts are required to be produced by the 30<sup>th</sup> June 2016 and to be audited by the 30<sup>th</sup> September 2016. The Accounts and Audit Regulations 2015 now require a common 30 day public inspection period that must include the first 10 days of July. The External Auditor, KPMG are scheduled to commence the audit of accounts on 25th July.

The statement of accounts has been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code). It aims to provide relevant information to ensure that the financial position of the Council is presented as a true and fair view and to assure the reader of the accounts that the financial position of the Council is sound and secure.

The narrative report aims to provide context to the accounts in respect of the 2015/16 financial outturn, the overall financial position of the Council and to place the Council's finances in the context of its Corporate Plan, priorities and achievements.

### District Context

Harborough District spans an area of 59,178 hectares (228 square miles). The District shares boundaries with Melton, Rutland, Corby, Kettering, Daventry, Rugby, Blaby, Oadby & Wigston, Leicester and Charnwood Districts. The main urban centres are Market Harborough and Lutterworth.

There are a number of main 'A' roads that link the main urban settlements within and outside the District. The A4303/A4304 serves between Harborough and Lutterworth. The A6 links Market Harborough directly to Leicester and the A14 links to Kettering and the South. The main urban areas of the District are close to the intersection of the M1, M6 and A14. The District has major logistics hubs to the west of the District at Magna Park which due to its proximity to the major road network and the fact that 95% of all places in England are within four hours travelling distance of the District make it an ideal location for inward investment.

Harborough's rural nature, and its proximity to London by rail, makes it an increasingly attractive place for commuters to live. It is likely that alongside this, an increasing number of businesses setting up in Harborough have either links to, or clients in London.

The current population of the District is estimated to be 87,400. The District is expecting a significant increase in the population by 2033 and has a buoyant demand for supply of housing estates. A particular challenge is the increase in the Elderly

population. The Council works in partnership with others through the Better Care Fund to plan for services to meet the needs of older people. The table below illustrate potential growth in population with consequential increases in demand for services.

<b>Population Projections for Harborough District (millions)</b>							
<b>Age Group</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
<b>Children</b>	16.4	16.8	17.1	17.4	17.4	17.5	17.5
<b>Working Age</b>	49.4	50.0	50.2	49.9	49.8	49.9	49.9
<b>Older people</b>	21.6	24.6	28.0	31.6	32.3	32.9	33.4
<b>All ages</b>	<b>87.4</b>	<b>91.4</b>	<b>95.3</b>	<b>98.9</b>	<b>99.5</b>	<b>100.3</b>	<b>100.8</b>

There are approximately 4,600 active businesses within Harborough District. Businesses in Harborough District are predominantly small, 74% of rural and urban businesses employ 0-4 people. Only 6% of local businesses employ 20+ people. The major employers are at Magna Park near Lutterworth.

Levels of people claiming job seekers allowance and housing benefit are lower than the National and Leicestershire averages.

### **Financial Context**

The 2015/16 financial year was a challenging year as a result of continued reductions in core Government funding and the volatility of local funding sources, especially business rates. However, the Council has been able to deliver an outturn surplus in 2015/16 as a result of tight cost control and windfall income sources especially in respect of planning applications. However the CIES shows a deficit due to the inclusion of other accounting adjustments.

The Council in setting its budget for 2015/16 reduced the districts share of Council Tax by 5%.

The Council's Medium Term Financial Strategy (MTFS) sets down for the period to 2020 an assumed reduction in the level of Government Funding and the cessation of Revenue Support Grant over the next couple of years. Alongside this is continued volatility in respect of New Homes Bonus and business rates over the next few years. This leads to an emerging budget gap. The Council MTFS assumes a medium term application of reserves and efficiency savings/income generation to balance the budget with a requirement for £1.2 million of net savings to be made by 2019/20. The Council's MTFS set out the efficiency principles that will be applied in reshaping services.

The Council has a track record of managing its spend within available resources. Robust planning and monitoring of resources will continue throughout the MTFS period.

The key drivers behind the MTFS are:

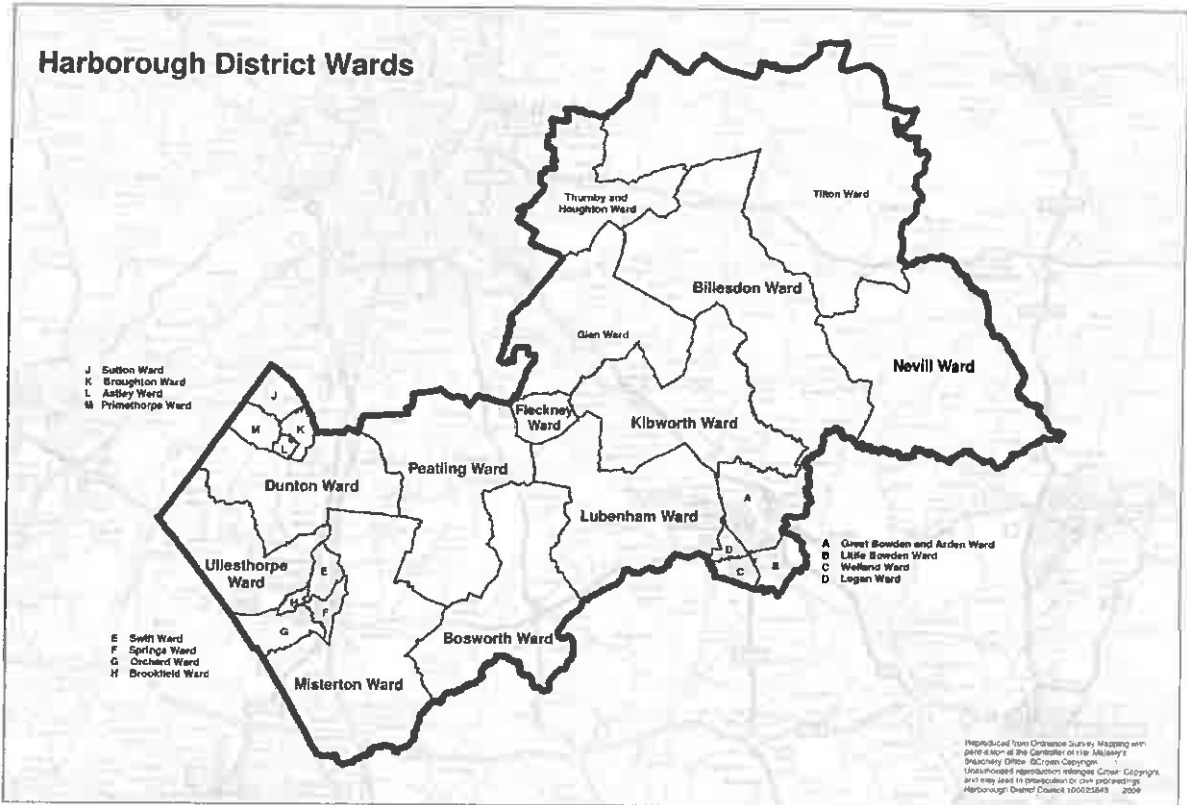
- Increased use of the Business Rate Retention Reserve
- Council Tax Increases of 1.99% from 2017/18
- Planned Use of Reserves
- Efficiency Plan Targets rising from £300K in 2017/18 to £1.2 million in 2019/20
- Funding anticipated pressures in respect of pay costs and inflation.

Costs pressures are expected in the Council's waste collection budget due to the reduction/withdrawal of recycling credits for dry recyclates and other price driven changes.

The Council has an ambitious capital programme of £9.839 million over the next three years. Of this £1.895 million is forecast to be funded from unsupported borrowing with the majority of the rest of the funding from external grants and capital receipts. Whereas, the Council has not had the need to undertake new borrowing in 2015/16 the Capital Financing Requirement remains high alongside the prudential indicators demonstrating affordability, sustainability and prudence. Future schemes will require detailed business cases to demonstrate affordability. The Council will seek to maximise external funding sources to assist in the delivery of its capital vision.

## Political Structure

The Council is comprised of 37 Members in a mixture of single and multi-member wards



Following the District Elections in May 2015 the political composition of the Council changed. The political make-up of the Council is:

Political Party	Number of Members	
	Prior to May 2015	Post May 2015
Conservative	25	29
Liberal Democrats	9	8
Independents	3	0
<b>Total</b>	<b>37</b>	<b>37</b>

The leader of the Council is Councillor Blake Pain. The portfolio holder for Finance and Commercialisation is Councillor Philip King. Both Members held these responsibilities for the whole of 2015/16.

Harborough District is represented by three MPs, Rt Hon Sir Edward Garnier, Rt Hon Sir Alan Duncan and Mr Alberto Costa.

## Council Workforce and Management Structure

The Council had 189 employees (165.76 Full Time Equivalents) at 31 March 2016 who are primarily based at The Symington Building, Market Harborough, but also in the Leicestershire Revenue and Benefits Partnership based in Hinckley. The Council also provide parking enforcement services and legal services to other Councils,

these are detailed in Note 40 of the accounts. The Council has delivered services in 2015/16 through a mixture of permanent staff and agency staff to meet service demands and/or recruitment difficulties. Total staffing costs were delivered within the approved budget with a 1.24% underspend.

The Council is managed by the Corporate Management Team comprising of two Corporate Directors and 4 Heads of Service.

## Financial Accounts

The Council's statutory accounts include four key statements for the financial year ended 31<sup>st</sup> March 2016;

Movement in Reserves Statement	Balance Sheet
<p><b>An increase of £3,084k in the Council's total usable reserves</b> This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves (e.g., capital financing reserves).</p>	<p><b>An increase in the Council's net assets of £9.755m at 31<sup>st</sup> March 2016</b> The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council as at 31<sup>st</sup> March 2016.</p>
Comprehensive Income and Expenditure Statement	Cash Flow Statement
<p><b>An accounting deficit of £775k for 2015/16 has been reported; the outturn position is £991k surplus</b> This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation (this is known as the outturn position). The main factors in the difference of the accounting deficit to outturn position are capital financing adjustments, depreciation, revaluation adjustments, collection fund adjustments and pension charges.</p>	<p><b>A net decrease of £690k in 2015/16 in cash or cash equivalents</b> This statement summarises the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet.</p>

In addition to the four accounts above there has been significant movements on the pensions reserve and collection fund which are detailed below.

## Pension liabilities

The Council is part of the Local Government Pension Scheme (LGPS) administered by Leicestershire County Council. The Council has to account for the actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on



the Balance Sheet. The Council's share of the net pension liability at 31<sup>st</sup> March 2016 is £23.931 million (£32.852 million at March 2015) and is offset by the Pensions Reserve, movements of which are shown on the Movement in Reserves Statement (MIRS) ensuring that there is no impact on the level of Council Tax. The balance sheet position has improved compared to 2014/15. This is a result of an increase in the net discount rate used to determine liabilities offset by a lower than expected asset return. The results of the next triennial review of the pension fund is due in 2017 and is expected to lead to increased employee contributions to help fund the net pension fund liability.

### **Collection Fund**

The collection fund account records income received from the Council Tax and Business Rates. It also shows the distribution of that income to the billing authority (Harborough District Council), Central Government and precepting authorities such as Leicestershire County Council, The Office of the Police and Crime Commissioner and the Combined Fire Authority.

The Collection Fund Accounts for 2015/16 are shown on page 83 of this Statement. The Council Tax position has increased from a surplus of £1.055 million at 31<sup>st</sup> March 2015 to a surplus of £1.801 million as at 31<sup>st</sup> March 2016. This surplus, together with next year's projection, will be taken into account when setting the Council Tax for 2017/18. The Council Tax collection rate for the year was 98.40% (98.60% in 2014/15).

The Business Rates Retention Scheme is in its third year and the main aim is to give Councils a greater incentive to grow businesses in their areas. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. In particular the Council and the other precepting bodies have had to provide for a high level of appeals (£5.724 million at 31<sup>st</sup> March 2016). The Council has provided for £2.290 million for its share of the total appeals – this is detailed in Note 23 of the accounts. The scheme allows the Council to retain a proportion of the total Business Rates received. The retained levy was £1.616 million with £808K being paid into the Leicester and Leicestershire Business Rate Pool and £808K being transferred into an earmarked reserve on the Council's balance sheet. The Council used £546K of the business rates retention reserve to support revenue operations in 2015/16. The Business Rates collection rate for the year was 98.3% (99.2% in 2014/15).

### **Financial Performance of the Council 2015/16**

#### ***Revenue Performance***

The Council's 2015/16 revenue outturn position is shown in the below table. The original budget was approved in February 2015. The budget sets down the budgets allocated to individual services to deliver services and priority outcomes for the Council in 2015/16. The budget is monitored during the year and certain budget adjustments and transfers are undertaken creating the Revised Budget. Throughout the year the Council has forecast an underspend driven by buoyant income levels, especially in respect of planning fees from major developments and ongoing tight

management of costs. In addition, some corporate budgets, such as the corporate contingency budget have not had to be utilised.

On a management accounting basis (including capital charges) the Council achieved a surplus of £1.579 million on the net direct cost of services in 2015/16.

<b>2015/16 Revenue Budget</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Portfolios</b>			
Business Planning and Performance	1,201	1,202	1
Communities	1,116	1,079	(37)
Corporate Services	3,162	2,713	(449)
Enforcement and Regulation	777	645	(132)
Finance and Commercialisation	4,239	4,107	(132)
Planning and Regulation	281	(127)	(408)
Strategy and Economic Development	258	90	(168)
Contingency	254	0	(254)
Vat Shelter	(167)	(167)	0
<b>Net Direct Cost of Services</b>	<b>11,121</b>	<b>9,542</b>	<b>(1,579)</b>

The final outturn was higher than last reported at Quarter 3 due to having continued high levels of income (primarily from planning fees); continued cost control and through not having to utilise the corporate contingency budget.

Key service variances include:

<b>Significant Variances</b>	<b>£000s</b>	
Development Control Fees	516	income in excess of budget target
Staffing Budgets	118	Saving on Total Salaries (including Agency Staff) against budgeted establishment
Members Allowances and Expenditure	84	Saving on allowances includes savings from Members not being able to be members of the pension fund
Car Park Income	91	Higher than budgeted use of car parks
Corporate Contingency	254	2015/16 Budget did not require a drawdown of the contingency

Full details of the outturn is detailed in the outturn report for 2015/16 which was considered by the Executive on 5<sup>th</sup> September 2016

In addition to the net saving on the cost of services the Council has to account for non service costs, funding and technical accounting adjustments. These are detailed in the table below

	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Portfolios			
Net Direct Cost of Services (see above)	11,121	9,541	(1,580)
Non Service Costs (including transfers to/from reserves)	559	839	280
Funding	(11,680)	(11,371)	309
<b>Sub Total</b>	<b>0</b>	<b>(991)</b>	<b>(991)</b>
Technical Accounting adjustments		(1,128)	(1,128)
<b>Surplus transferred to General Fund</b>		<b>(2,119)</b>	<b>(2,119)</b>

## Capital Performance

During the financial year 2015/16, the Council spent £1.118 million on capital schemes (£1.477 million in 2014/15). The majority of this relates to expenditure on S106 Grants and the payment of Disabled Facilities/Housing Assistance Grants.

<b>Capital Programme</b>	<b>2015/16</b>
	<b>£'000</b>
Capital Expenditure:	
- Car Parking	109
- Leisure & Recreation	413
- Flood Prevention	5
- Recycling	0
- Private Sector Housing	347
- HDC Office Redevelopment	36
- Other Property	125
- Other	83
	1,118
Financed by:	
- Unsupported Borrowing	(346)
- Capital Receipts	(182)
- Government Grants	(204)
- Direct Revenue Funding	0
- Contributions from Developers etc	(386)
	(1,118)

This capital expenditure was financed within the parameters previously set by the Council. There was slippage of £1.487 million of schemes (in particular, the low cost housing development on garage sites to 2016/17). Significant Capital commitments are detailed in Note 12 on page 48. The Council continued its policy of utilising its internal funds to delay borrowing thereby contributing to savings on the net cost of borrowing.

## **Performance of the Council 2015/16**

The Council annually adopts a Corporate Plan and Corporate Delivery Plan to manage its performance. Performance is reported quarterly to Executive and reviewed by Scrutiny Panel.

The Council approved 4 corporate priorities and 13 critical outcomes for the financial year

### ***PRIORITY: Working with communities to develop places in which to live and be happy***

CO 1: People live in a sustainable environment

CO 2: The District offers a clean, green and safe environment in which to live, work and enjoy

CO 3: People have opportunities to access a range of leisure, sport and physical activities

CO 4: Residents and businesses are informed, included and listened to

### ***PRIORITY: Provide public services which are effective and deliver value for money***

CO 5: The Council is efficient and resilient in its service delivery

CO 6: The Council makes the best use of its assets and resources

CO 7: Council Services are compliant with legal and audit requirements

### ***PRIORITY: Encourage a vibrant and sustainable business community intent on prosperity, employment and learning opportunities.***

CO 8: Businesses are able to access Council services easily

CO 9: Entrepreneurs and businesses are able to access support and advice

CO 10: Communities have access to better digital infrastructure

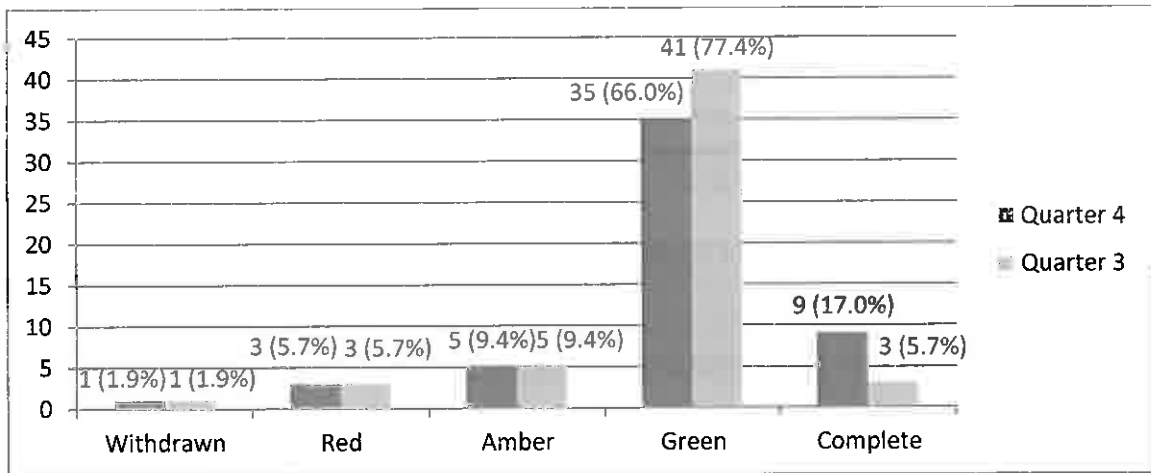
CO 11: People have opportunities to access culture and tourism

### ***PRIORITY: Support the vulnerable in the communities where they live***

CO 12: People live in safe and appropriate housing

CO 13: People who are most in need are supported

Within the 2015/16 Corporate Objectives were 57 Key activities (commitments) that were to be delivered in 2015/16.



Performance remained strong in 2015/16 with 83% of key activities delivered or on target. The Council report on a wide range of performance indicators throughout the year with key performance indicators summarised on a performance scorecard on a quarterly basis.

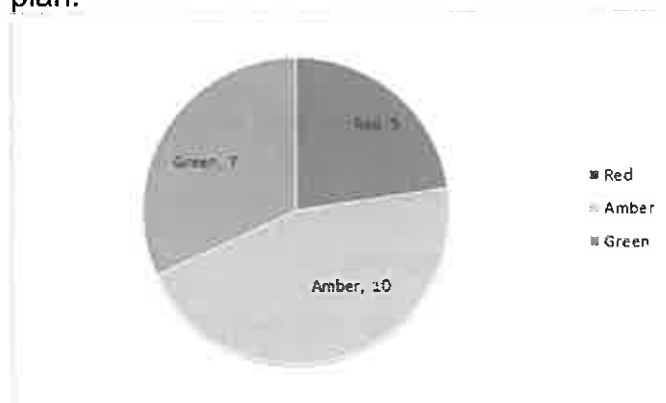
Performance has been sustained or improved in many areas from 2014/15, for example major planning applications determined within 13 weeks up from 65.5% in 2014/15 to 78.9% in 2015/16 against a target of 60%, despite over a 100% increase in major applications received by the Council in 2015/16.

Council Tax collection rate remains high at 98.4% (2014/15, 98.6%) and staffing costs underspending by 1.24%.

Full details of the Council Performance are available from the Council.

### Risk Management

The Council manages its risks through a corporate risk and opportunity framework and reports on strategic risks on a quarterly basis to Executive and Scrutiny. Through proactive management of risk 2 risks were removed in 2015/16 with only one risk, the review of the Council's constitution increasing its risk score during the year due to delays in adoption of a revised constitution. The status of the corporate risks at 31<sup>st</sup> March 2016 is detailed in the below pie chart. The majority of the red risks relate to continued volatility in funding sources and uncertainty in receipt of funding in the future, for example business rates, new homes bonus and the adoption of the local plan.



Full details of the Council's risk and opportunity framework are available from the Council.

### **Overview of key issues facing the District and the Council**

Work will continue over the coming period as the budget is progressed to ensure savings targets are achieved. The Council approved the MTF5 in February 2016 and through it's 'Delivering for Harborough' vision is delivering a wide range of projects and improvements to services, customer responsiveness and income generation. Priorities for 2016/17 include:

- a. Progress in achieving the target for savings in the medium term financial strategy including the development of an efficiency approach and high level plan for the period to 2019/20
- b. Continued implementation of the Property Strategy to generate capital receipts and deliver an improved commercial return
- c. Further embedding a commercial mind-set within the Council
- d. To deliver the capital ambitions of the Council through investment in affordable low cost housing and provision of accommodation for Small and Medium Enterprises through provision of business move on space
- e. Maximising the opportunities available through the developing Combined Authority and devolution proposals and through emerging funding frameworks by the LLEP (Leicester & Leicestershire Enterprise Partnership)
- f. Further implementation of the Council's channel shift strategy to improve resolution at first point of contact and delivery of service through lower cost access channels especially through the web
- g. Producing and consulting on a local plan for the District to meet the Council's five year housing supply and to plan development to the period to 2031. This is linked to maximising New Homes Bonus in the future
- h. Maximising business growth and business rate retention

The above are just a few of the priorities, more detail can be found in the Council's Corporate Delivery Plan.

### **Events after the reporting date**

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and

funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

### **Financial Statements**

- **The Movement in Reserves Statement** – show the movement during the year between the Council's "usable reserves" (i.e. those that can be used to fund expenditure or reduce Council Tax) and "unusable reserves". The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council's services. Also included are adjustments to ensure the General Fund balance is only charged with statutory expenditure plus contributions to/from earmarked reserves.
- **The Comprehensive Income and Expenditure Statement** – reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The Income and Expenditure Account has been compiled in accordance with the Service Reporting Code of Practice 2015/16.
- **The Balance Sheet** – shows the Council's overall financial position at the financial year end.
- **The Cash Flow Statement** – a summary of the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet.
- **The Collection Fund** – shows the transactions of the Council in relation to non-domestic rates and council tax. It illustrates the way in which these have been distributed to precepting authorities and the General Fund.

### **Summary**

This Narrative Report aims to provide an overview of the Council's financial and non financial performance for 2015/16, alongside priorities for the future that are inextricably linked to the MTFs and the need to become a smaller more efficient Council that seeks to maximise income generation.

The Statement of Accounts for 2015/16 present a true and fair financial position of Harborough District Council for the financial year ended 31<sup>st</sup> March 2016. Up to date and proper accounting records have been maintained in accordance with the accounting policies detailed.

Signed:

**Simon Riley, CPFA**  
**Section 151 Officer**  
**Date: 22 September 2016**



## GENERAL ISSUES

### Critical Judgements in Applying Accounting Policies

The income from the VAT shelter agreement with Seven Locks Housing is of a revenue nature and therefore is shown on the Comprehensive Income and Expenditure Statement.

### Assumptions made about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
<b>Pensions Liability</b>	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, change in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Leicestershire County Council to provide all Leicestershire authorities with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £6,323,000. However, the assumptions interact in complex ways. During 2015/16 the Authority's actuaries advised that the net pensions liability decreased by £8,921,000. This is as a result of changes to actuarial gains on assets and liabilities.
<b>Arrears</b>	At the 31st March 2016, Harborough District Council had a balance for sundry debtors of £970,923. A review of significant balances resulted in a provision of £414,800 (43%). This includes provision for outstanding S106 debtors.	If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts of 5% would result in an additional £48,550 needing to be set aside as an allowance.

## **Post Balance Sheet Events**

The Statement of Accounts was authorised for issue by the Section 151 Officer on 28 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

# 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 for one of its officers to be responsible for the administration of those affairs. In Harborough District Council, this is the Section 151 Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

## **Section 151 Officer's Responsibilities**

The Section 151 Officer is responsible for preparing Harborough District Council's Statement of Accounts to present a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31 March 2016, according to the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## **SECTION 151 OFFICER'S CERTIFICATION**

I certify that I have prepared the accounts of the Council to comply with all legislative requirements and in accordance with the above Code of Practice.

I have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**I certify that the Statement of Accounts gives a true and fair view of the financial position of Harborough District Council as at 31 March 2016 and its income and expenditure for the year then ended.**

**Simon Riley, CPFA**

**Section 151 Officer**

Date: 22 September 2016

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, 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 service' line shows the true economic cost of providing the authority'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 charges to the General Fund (GF) Balance for Council Tax setting purposes.

The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund (GF) Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

	Usable Reserves (£'000)					Unusable Reserves (£'000)							Total Authority Reserves (£'000)			
	General Fund (GF) Balance		General Reserves		Capital Receipts Reserve	Capital Receipts Advance		Capital Receipts Reserve		Capital Receipts Account		Collection Fund Adjustment Reserve		Total Unusable Reserves		
	Earmarked Reserves	GF Reserves	General Reserves	Capital Receipts Reserve		Capital Receipts Reserve	Capital Receipts Account	Capital Receipts Account	Capital Receipts Account	Capital Receipts Account	Capital Receipts Account	Capital Receipts Account			Capital Receipts Account	Capital Receipts Account
Balance at 31 March 2015 carried forward	3,748	3,811	1,382	1,689	343	10,973	0	6,936	20,874	0	(674)	(32,852)	(65)	(5,781)	5,192	
<b>Movement in reserves during 2015/16</b>																
Surplus or (deficit) on provision of services (accounting basis)	(775)					(775)										(775)
Other Comprehensive Income and Expenditure						0		456				10,074		10,530		10,530
<b>Total Comprehensive Income and Expenditure</b>	<b>(775)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(775)</b>	<b>0</b>	<b>456</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,074</b>	<b>0</b>	<b>10,530</b>	<b>0</b>	<b>9,755</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	3,316			506	37	3,859			(1,777)	0	(704)	(1,153)	5	(3,859)		(0)
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2,541</b>	<b>0</b>	<b>0</b>	<b>506</b>	<b>37</b>	<b>3,084</b>	<b>0</b>	<b>225</b>	<b>(1,777)</b>	<b>0</b>	<b>(704)</b>	<b>8,921</b>	<b>5</b>	<b>6,671</b>	<b>0</b>	<b>9,755</b>
Transfers to/from Earmarked Reserves (note 7)	(422)	485	(63)			0										0
<b>Increase/Decrease in year</b>	<b>2,119</b>	<b>485</b>	<b>(63)</b>	<b>506</b>	<b>37</b>	<b>3,084</b>	<b>1</b>	<b>225</b>	<b>(1,777)</b>	<b>0</b>	<b>(704)</b>	<b>8,921</b>	<b>5</b>	<b>6,671</b>	<b>0</b>	<b>9,755</b>
Balance at 31 March 2016 carried forward	5,867	4,296	1,319	2,195	380	14,057	1	7,161	19,097	0	(1,378)	(23,931)	(60)	890	0	14,947

	Usable Reserves (£'000)				Unusable Reserves (£'000)						Total Authority Reserves (£'000)				
	General Fund (GF) Balance	Earmarked Reserves	General Reserves	Total Usable Reserves	Financial Instruments Account	Revaluation Reserve	Adjustment Account	Capital Account	Deferred Receipts	Collection Fund Account		Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
Balance at 31 March 2014 carried forward	1,522	3,833	1,629	898	27	7,909	(1)	5,396	22,558	0	336	(27,058)	(56)	1,175	9,084
<b>Movement in reserves during 2014/15</b>															
Surplus or (deficit) on provision of services (accounting basis)	(1,015)					(1,015)								0	(1,015)
Other Comprehensive Income and Expenditure						0	1,813				(4,690)			(2,877)	(2,877)
Total Comprehensive Income and Expenditure	(1,015)					0	1,813				0	(4,690)		(2,877)	(3,892)
Adjustments between accounting basis and funding basis under regulations (note 6)	2,972				316	4,079		(273)	(1,684)	0	(1,010)	(1,104)	(9)	(4,079)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	1,957				316	3,064		1,540	(1,684)	0	(1,010)	(5,794)	(9)	(6,956)	(3,892)
Transfers to/from Earmarked Reserves (note 7)	269	(22)	(247)	0		0								0	0
Increase/Decrease in year	2,226	(22)	(247)	791	316	3,064	1	1,540	(1,684)	0	(1,010)	(5,794)	(9)	(6,956)	(3,892)
Balance at 31 March 2015 carried forward	3,748	3,811	1,382	1,689	343	10,973	0	6,936	20,874	0	(674)	(32,852)	(65)	(5,781)	5,192

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing services in accordance with Generally Accepted Accounting Practices (GAAP), 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.

<u>31 March 2015</u>			Note	<u>31 March 2016</u>		
Exp £'000	Income £'000	Net £'000		Exp £'000	Income £'000	Net £'000
444	(240)	204	Adult Social Care	487	(293)	194
1,754	(653)	1,101	Central Services to the Public	1,552	(532)	1,020
431	(426)	5	Children's and Education Services	25	0	25
2,517	(731)	1,786	Cultural and Related Services	2,535	(516)	2,019
2,068	(150)	1,918	Corporate and Democratic Core	2,028	(150)	1,878
7,793	(3,592)	4,201	Environmental and Regulatory Services	8,120	(3,269)	4,851
996	(1,391)	(395)	Highways and Transport Services	947	(1,384)	(437)
13,624	(12,439)	1,185	Housing Services	13,438	(12,421)	1,017
2,191	(1,920)	271	Non-distributed Costs	1,973	(1,734)	239
3,526	(1,818)	1,708	Planning Services	3,516	(2,825)	691
<b>35,344</b>	<b>(23,360)</b>	<b>11,984</b>	<b>Cost of Services</b>	<b>34,621</b>	<b>(23,124)</b>	<b>11,497</b>
1,878	(1,374)	504	Other Operating Expenditure	1,815	(1,203)	612
1,237	(69)	1,168	Financing and Investment Income and Expenditure	1,138	(121)	1,017
496	(13,137)	(12,641)	Taxation and Non-specific Grant Income	1,173	(13,524)	(12,351)
		<u>1,015</u>	<b>(Surplus)/Deficit on Provision of Services</b>			<u>775</u>
		(1,813)	(Surplus)/Deficit on Revaluation of Fixed Assets			(456)
		0	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			0
		4,690	(Actuarial Gains)/Losses on Pension Assets/Liabilities			(10,074)
		<u>2,877</u>	<b>Other Comprehensive (Income) and Expenditure</b>			<u>(10,530)</u>
		<u>3,892</u>	<b>Total Comprehensive (Income) and Expenditure</b>			<u>(9,755)</u>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (revaluation reserve), where amounts only become available if assets are sold. Also reserves that hold timing differences shown in the Movement in Reserves Statement "Adjustments between accounting basis and funding basis under regulations."

31 March 2015 £'000		Note	31 March 2016 £'000
34,033	Property, Plant & Equipment	12	33,328
15	Heritage Assets	18	15
0	Investment Property	14	109
295	Intangible Assets	16	204
0	Assets under Construction	12	36
7	Long Term Debtors	20	5
<b>34,350</b>	<b>Long Term Assets</b>		<b>33,697</b>
10,000	Short Term Investments	17	16,689
40	Assets held for Sale < 1 Year	15	0
70	Inventories	19	72
4,124	Short Term Debtors	20	4,610
2,175	Cash and Cash Equivalents	21	1,485
<b>16,409</b>	<b>Current Assets</b>		<b>22,856</b>
(15)	Short Term Borrowings	17	(15)
0	Bank overdraft	21	0
(8,025)	Short Term Creditors	22	(12,005)
(1,540)	Short Term Provisions	23	(2,290)
<b>(9,580)</b>	<b>Current Liabilities</b>		<b>(14,310)</b>
(1,490)	Long Term Borrowing	17	(1,530)
(32,852)	Pension Liability Account	43c	(23,931)
(1,645)	Grants Received in Advance	39b	(1,835)
<b>(35,987)</b>	<b>Long Term Liabilities</b>		<b>(27,296)</b>
<b>5,192</b>	<b>Net Assets</b>		<b>14,947</b>
10,973	Usable Reserves	MIRS	14,057
(5,781)	Unusable Reserves	24	890
<b>5,192</b>	<b>Total Reserves</b>		<b>14,947</b>

Simon Riley, CPFA  
Section 151 Officer  
Date 22 September 2016



## CASH FLOW STATEMENT

2014/15 £'000		2015/16 £'000	Note
1,015	<b>Net deficit on the provision of Services</b>	775	
93	Adjustments to net deficit on the provision of services for non-cash movements	(2,956)	
949	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	6,823	
<b>2,057</b>	<b>Net Cash flows from operating activities</b>	<b>4,642</b>	
(922)	Investing activities	(6,856)	32
1,308	Financing activities	1,524	33
<b>2,443</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(690)</b>	
(268)	Cash and Cash equivalents at the beginning of the reporting period	2,175	
<b>2,175</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>1,485</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### 1) Summary of Significant Accounting Policies

#### a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historic cost, modified by re-valuation of certain categories of non current assets and financial instruments.

#### b) Changes in accounting treatment

These policies ensure we produce our financial statements in accordance with the updated Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (based on International Financial Reporting Standards).

There are no changes in Accounting Treatment for the year.

#### c) Accruals of Income and Expenditure

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. That is, activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- i) **Customer and Client Receipts** – all sales, fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- ii) **Employee Costs** – the full cost of employees has been included for the period 1 April 2015 to 31 March 2016. The exception to this is that the reimbursement of travel expenses is made one month in arrears, so that the amount included in the accounts covers the period 1 March 2015 to 29 February 2016. This policy has been applied consistently between years, and does not have a material effect on the accounts.
- iii) **Interest** – 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.
- iv) **Supplies and Services** – the costs of supplies and services have been accrued and included in the accounts for the period to which they relate. All material sums

unpaid at the year-end for goods and services received or works completed, have been accrued. The exception to this policy relates to quarterly utility payments (eg. gas, electricity and water), which are charged at the date of the meter reading, and are not apportioned between financial years. Again this policy has been applied consistently between years and does not have a material effect on the accounts.

**d) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

**e) Contingent Assets and Liabilities**

Contingent assets and liabilities arise when an event has taken place that gives the Council a possible obligation, but needs another future event not controlled by the Council to confirm the obligation.

Contingent assets and liabilities are not recognised in the accounts, but are instead disclosed by means of a note to the balance sheet, where the inflow of a receipt or economic benefit is probable.

**f) Employee Benefits**

**i) Benefits payable during employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees.

An accrual is made, where material, for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period the employee takes the benefit. The accrual is charged to Surplus or Deficit on the provision of services, but then reversed out through the Movement of Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**ii) Termination Benefits**

Termination benefits are amounts payable as a result of the council's decision 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 Net Cost of Services line in the Comprehensive Income & Expenditure Statement when the council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

### iii) Pension Benefits

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council, which is accounted for as a defined benefits scheme.

The attributable assets of the scheme are measured at fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The attributable liabilities of the scheme are measured on an actuarial basis using the projected unit method.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **iv) Discretionary Benefits**

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 members of staff are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

#### **g) Estimation Techniques**

In certain circumstances actual income or expenditure for the financial year, or part thereof, may have to be estimated due to the timing of, for example, completion of grant claims, receipt of supplier invoices etc. Where necessary the following estimation techniques are used:

- i) **Impairments** – calculated by reference to the length of time the debt has been overdue, i.e. the older the debt the greater the provision (see notes to the core financial statements).
- ii) **Depreciation** – depreciation is calculated using the straight line method in accordance with the estimated remaining useful life of the asset, as provided by the Council's appointed independent valuer (see notes to the core financial statements).

#### **h) Exceptional Items, Extraordinary Items and Prior Period Adjustments**

- i) **Exceptional items** – material items arising from events or transactions that fall within the ordinary activities of the Council. They are either included in the cost of service to which they relate, or separately on the face of the Comprehensive Income and Expenditure Statement if their degree of materiality so requires, in order to give a fair presentation of the accounts.
- ii) **Extraordinary items** – material items which arise from events or transactions falling outside the ordinary activities of the Council. They are disclosed separately on the face of the Income and Expenditure Account and explained in a note to the accounting statements.
- iii) **Prior year adjustments** – material adjustments applicable to prior years which may arise from changes in accounting policies or from the correction of material errors. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Authority's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected by amending opening balances and comparatives amounts for the prior period.

## **i) Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **j) Financial Instruments**

### **i) Financial Liabilities (e.g. Borrowing)**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and carried at that value plus any interest due. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for that particular financial instrument.

For the council this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income & Expenditure Statement, regulations allow the impact on balances to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, unless the premium or discount is not material in amount. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## ii) **Financial Assets (e.g. Investments)**

Financial Assets are classified into two types:

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

**Loans and Receivables** are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and 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 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

**Available-for-sale assets** are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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. 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. Instruments with quoted market prices which the Council holds are held at the market price.

## k) **Foreign Currency Translation**

From time to time the Council may receive income or incur expenditure in a foreign currency. In such circumstances the transaction is converted into sterling at the exchange rate in operation on the date on which the transaction occurred.

## l) **Government Grants and Other Contributions**

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

- the council will comply with the conditions attached to the payments and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or 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 or Taxation and Non Specific Grant line 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 Grant Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **m) Intangible Fixed Assets (Excluding Goodwill and Development Expenditure)**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.



## **n) Leases**

Leases are accounted for as finance leases where the terms of the lease transfer substantially all risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

### **i) Finance leases**

The Council does not presently have any assets acquired by way of finance lease.

### **ii) Operating leases**

Rentals paid under operation leases are charged to the Comprehensive Income & Expenditure Statement as a cost to the services benefiting from the use of the lease property, plant or equipment. Charges are made on a straight line basis over the life of the lease.

Where the council grants an operating lease over property, plant or equipment the asset is retained in the Balance Sheet. Rental income is credited on a straight-line basis over the life of the lease, even if this does not match the pattern of the payment, to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement.

## **o) Overheads**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees taking early retirement.

These two categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## **p) Property, Plant, and Equipment**

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

### **i) Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to

the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a de minimus level for recognition as an asset, an item or a related group of items must have a minimum expenditure value of £5,000 excluding VAT.

## **ii) Measurement**

Assets are initially measured at cost, comprising

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have any commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate
- All other assets are carried at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. The last full revaluation was as at 31 March 2014. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

## **iii) Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and,

where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line 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.

#### **iv) Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where depreciation is provided for, assets are being depreciated using the straight-line method over their useful lives as advised by the valuer/suitably qualified officer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components 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.

#### **v) Disposals and Non Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in 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.

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

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 General Fund Balance in the Movement in Reserves Statement.

#### **q) Provisions**

Provisions are required for any losses or liabilities which are likely or certain to be incurred, where the amounts or dates upon which they will arise are uncertain. Where applicable, these provisions are detailed in the notes to the Core Financial Statements. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When expenditure is incurred it is charged to the provision set up in the balance sheet.

#### **r) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement. The equivalent proportion reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent useable resources for the council; these are explained in the relevant policies.

The usable capital receipts reserve is a reserve established for specific statutory purposes.

**s) Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be funded from capital under statutory provisions but does not result in the creation of non current assets is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under Section 16 (2) of Part 1 of the Local Government Act 2003. Where the cost of this expenditure is met from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

**t) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services received under the contract during the financial year.

**u) Value Added Tax**

VAT is included in income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

**v) Charges to Revenue for Non-current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

“...depreciation attributable to the assets used by the relevant service.”

“...revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.”

“...amortisation of intangible assets attributable to the service.”

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or loans fund principal charges (Scotland)].

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance [MRP or loans fund principal], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **w) Investment Property**

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

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length, unless the authority can demonstrate that the carrying value is not materially different from the fair value.

Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

If a reliable fair value cannot be determined because comparable market transactions are infrequent and alternative reliable estimates of fair value are not available, then the asset should be accounted on a cost basis and depreciation continues to be charged.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

## 2) Changes in accounting estimates

There have been no changes to accounting estimates during the financial year.

## 3) Impact of accounting standards that have been issued but not yet adopted

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2015.

The Code of Practice on Local Council Accounting in the United Kingdom 2016/17 (the Code) has introduced changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes as detailed below.

- **IAS1 Presentation of Financial Statements** – This standard provides guidance on the form of the financial statements. The “Telling the Story” review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.
- Other minor changes due to Annual Improvement to IFRSs cycles, IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council’s Statement of Accounts. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

**4) Prior Period Errors**

There are no prior period errors.

**5) Prior Period Adjustments, Changes in Accounting Policies and Estimate errors**

No prior period adjustments have been made to the Council's 2015/16 published financial statements.

**6) Notes to Movement In Reserves Statement**

The notes on the following pages show the adjustments between accounting basis and funding basis under regulations.





2014/15

	Usable Reserves (£'000)				Unusable Reserves (£'000)							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
<b>Adjustments involving the Capital Adjustment Account</b>												
Reversal of items DR/CR to the CIES	(1,400)			(1,400)		273	1,127					1,400
Charges for Depreciation and impairment of non-current assets	(107)			(107)			107					107
Amortisation of intangible assets	684			684			(684)					(684)
Capital grants and contributions applied	(1,006)			(1,006)			1,006					1,006
Revenue expenditure funded from capital under statute	(646)			(646)			646					646
A amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES												
<b>Insertion of items not DR/CR to the CIES</b>												
Statutory provision for the financing of capital investment	479			479			(479)					(479)
Capital expenditure charged against the GF and HRA Balances	10			10			(10)					(10)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>												
Capital grant and contributions unapplied credited to the CIES	345		(345)	0								0
Application of grants to capital financing			29	29			(29)					(29)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>												
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	795	(795)		0								0
Use of the Capital Receipts Reserve to finance new capital expenditure		0		0				0				0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(4)	4		0								0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0		0								0
<b>Adjustments primarily involving the deferred Capital Receipts Reserve</b>												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		0		0								0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>												
A amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1			1	(1)							(1)
<b>Adjustments primarily involving the Pension Reserve</b>												
Reversal of items relating to retirement benefits DR/CR to CIES	(2,218)			(2,218)						2,218		2,218
Employers pension contributions and direct payments to pensioners payable in the year	1,114			1,114						(1,114)		(1,114)
<b>Adjustments primarily involving the Collection Fund Adjustments Account</b>												
A amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	(1,010)			(1,010)					1,010			1,010
<b>Adjustment primarily involving Accumulated Absences Account</b>												
A amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9)			(9)							9	9
<b>Total Adjustments</b>	<b>(2,972)</b>	<b>(791)</b>	<b>(316)</b>	<b>(4,079)</b>	<b>(1)</b>	<b>273</b>	<b>1,684</b>	<b>0</b>	<b>1,010</b>	<b>1,104</b>	<b>9</b>	<b>4,079</b>

## 7) Transfers to/from Earmarked Reserves

Reserve	Balance 31 March 2014	Transfers Out	Transfers In	Balance 31 March 2015	Transfers Out	Transfers In	Balance 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Reserves:</b>							
Business rates growth	(903)	250	(495)	(1,148)	546	(808)	(1,410)
Individual electoral registration	(10)		(7)	(17)		(25)	(42)
Publication of datasets project	(7)	7		0			0
Elections	(120)			(120)	75		(45)
Asset Management	(160)			(160)			(160)
Local Development Framework	(330)	109	(74)	(295)	74	(90)	(311)
VAT Shelter	(215)		(254)	(469)		(168)	(637)
Organisational Capacity	(170)			(170)			(170)
Business Support	0			0			0
Harborough Innovation Centre	0			0			0
Training & Development	(46)			(46)			(46)
Developer Commuted Contributions	(384)	52		(332)	51		(281)
New Homes Bonus	(810)	250		(560)	213		(347)
New Homes Bonus - Locality Fund	(93)	93	(175)	(175)			(175)
Broadband	(530)	530		0			0
Revenues & Benefits	(55)		(26)	(81)	9	(62)	(134)
Asset Acquisition & Development	0			0			0
Health & Wellbeing Forum	0		(22)	(22)	11	(11)	(22)
Physical Activity	0		(113)	(113)	34	(8)	(87)
Planning	0			0		(370)	(370)
Recreation Development	0		(4)	(4)	2	(0)	(2)
Community Safety Partnership	0		(33)	(33)	17		(16)
Sure Start	0		(18)	(18)	17		(1)
OPCC	0		(8)	(8)	8		(0)
Energy Promotion	0		(5)	(5)			(5)
VAT Claim Reserve	0		(35)	(35)			(35)
	(3,833)	1,291	(1,269)	(3,811)	1,057	(1,542)	(4,296)
General Fund Reserve	(1,629)	247		(1,382)	64		(1,319)
	(5,462)	1,538	(1,269)	(5,193)	1,121	(1,543)	(5,615)

## **8) Amounts Reported for Resource Allocation**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across portfolios.

**REVENUE SERVICES BY PORTFOLIOS FOR MANAGEMENT REPORTING PURPOSES**

	Economic Prosperity £000s	Corporate Services £000s	Finance, Assets & Development Planning £000s	Environment & Waste £000s	Community Wellbeing £000s	Community Safety & Regulatory £000s	Total £000s
Fees, charges & other service income	(633)	(1,163)	(2,654)	(2,007)	(31)	(1,636)	(8,124)
Government grants	0	(12,009)	(90)	(13)	(433)	(203)	(12,748)
<b>Total Income</b>	<b>(633)</b>	<b>(13,172)</b>	<b>(2,744)</b>	<b>(2,020)</b>	<b>(464)</b>	<b>(1,839)</b>	<b>(20,872)</b>
Employee expenses	53	3,023	2,322	315	198	1,414	7,325
Other operating expenses	654	9,473	264	4,770	546	(276)	15,431
Support Service Recharges	892	2,657	1,676	923	380	1,687	8,215
<b>Total Expenditure</b>	<b>1,599</b>	<b>15,153</b>	<b>4,262</b>	<b>6,008</b>	<b>1,124</b>	<b>2,825</b>	<b>30,971</b>
<b>Net Expenditure</b>	<b>966</b>	<b>1,981</b>	<b>1,518</b>	<b>3,988</b>	<b>660</b>	<b>986</b>	<b>10,099</b>

**Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement** £000s

Cost of Services in Service Analysis	10,099
Less: Amounts reported in management accounts but not included in net cost of services	(141)
Add: Amounts not reported in management accounts but in net cost of services	1,539
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>11,497</b>

	Portfolio Analysis £000s	Allocation of Recharges £000s	Net cost of Services £000s	Net Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(8,124)	0	(8,124)	(167)	(8,291)
Interest and investment income	0	0	0	(109)	(109)
Income from council tax	0	0	0	(6,544)	(6,544)
Government grants and contributions	(12,748)	0	(12,748)	(5,733)	(18,481)
<b>Total Income</b>	<b>(20,872)</b>	<b>0</b>	<b>(20,872)</b>	<b>(12,553)</b>	<b>(33,425)</b>
Employee expenses	7,325	0	7,325	1,053	8,378
Other service expenses	15,431	0	15,431	(19)	15,412
Support Service recharges	8,215	0	8,215	0	8,215
Depreciation, amortisation and impairment	0	0	0	1,537	1,537
Interest Payments	0	0	0	76	76
Precepts & Levies	0	0	0	1,230	1,230
Payments to Housing Capital Receipts Pool	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	(648)	(648)
<b>Total Expenditure</b>	<b>30,971</b>	<b>0</b>	<b>30,971</b>	<b>3,229</b>	<b>34,200</b>
<b>(Surplus)/deficit on the provision of services</b>	<b>10,099</b>	<b>0</b>	<b>10,099</b>	<b>(9,324)</b>	<b>775</b>

**REVENUE SERVICES BY PORTFOLIOS FOR MANAGEMENT REPORTING PURPOSES**

	Economic Prosperity	Corporate Services	Finance, Assets & Development Planning	Environment & Waste	Community Wellbeing	Community Safety & Regulatory	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(581)	(1,393)	(1,674)	(2,167)	(37)	(1,688)	(7,540)
Government grants	0	(12,098)	(171)	(20)	(1,117)	(164)	(13,570)
<b>Total Income</b>	<b>(581)</b>	<b>(13,491)</b>	<b>(1,845)</b>	<b>(2,187)</b>	<b>(1,154)</b>	<b>(1,852)</b>	<b>(21,110)</b>
Employee expenses	50	2,990	2,074	352	212	1,342	7,020
Other operating expenses	891	9,819	275	4,567	1,022	(96)	16,478
Support Service Recharges	939	2,656	1,778	904	385	1,593	8,255
<b>Total Expenditure</b>	<b>1,880</b>	<b>15,465</b>	<b>4,127</b>	<b>5,823</b>	<b>1,619</b>	<b>2,839</b>	<b>31,753</b>
<b>Net Expenditure</b>	<b>1,299</b>	<b>1,974</b>	<b>2,282</b>	<b>3,636</b>	<b>465</b>	<b>987</b>	<b>10,643</b>

**Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement**

Cost of Services in Service Analysis	10,643
Less: Amounts reported in management accounts but not included in net cost of services	(173)
Add: Amounts not reported in management accounts but in net cost of services	1,514
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>11,984</b>

Restated

	Portfolio Analysis	Allocation of Recharges	Net cost of Services	Net Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(7,540)	0	(7,540)	(254)	(7,794)
Interest and investment income	0	0	0	(69)	(69)
Income from council tax	0	0	0	(6,602)	(6,602)
Government grants and contributions	(13,570)	0	(13,570)	(5,965)	(19,535)
<b>Total Income</b>	<b>(21,110)</b>	<b>0</b>	<b>(21,110)</b>	<b>(12,890)</b>	<b>(34,000)</b>
Employee expenses	7,020	0	7,020	1,162	8,182
Other service expenses	16,478	0	16,478	7	16,485
Support Service recharges	8,255	0	8,255	0	8,255
Depreciation, amortisation and impairment	0	0	0	1,507	1,507
Interest Payments	0	0	0	75	75
Precepts & Levies	0	0	0	1,157	1,157
Payments to Housing Capital Receipts Pool	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	(646)	(646)
<b>Total Expenditure</b>	<b>31,753</b>	<b>0</b>	<b>31,753</b>	<b>3,262</b>	<b>35,016</b>
<b>(Surplus)/deficit on the provision of services</b>	<b>10,643</b>	<b>0</b>	<b>10,643</b>	<b>(9,628)</b>	<b>1,015</b>

## 9) Other Operating Expenditure

Exp £'000	Income £'000	2014/15 £'000		Exp £'000	Income £'000	2015/16 £'000
1,157	0	1,157	Precepts paid to Parish Councils	1,230	0	1,230
74	0	74	Council tax support grant to parishes	56	0	56
150	(796)	(646)	Disposal of Capital Interests	45	(693)	(648)
0	(254)	(254)	Income from VAT Shelter	0	(167)	(167)
497	(324)	173	Total net surplus(-)/deficit from Market Hall Trading Operation	484	(343)	141
<b>1,878</b>	<b>(1,374)</b>	<b>504</b>	<b>Other Operating Expenditure</b>	<b>1,815</b>	<b>(1,203)</b>	<b>612</b>

## 10) Financing & Investment Income & Expenditure

Exp £'000	Income £'000	2014/15 £'000		Exp £'000	Income £'000	2015/16 £'000
75	0	75	Interest Payable (including finance leases)	76	0	76
0	(69)	(69)	Interest & Investment Income	0	(109)	(109)
0	0	0	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	9	(12)	(3)
1,162	0	1,162	Pensions Interest Costs & Expected Return on Assets	1,053	0	1,053
<b>1,237</b>	<b>(69)</b>	<b>1,168</b>	<b>Financing &amp; Investment Income &amp; Expenditure</b>	<b>1,138</b>	<b>(121)</b>	<b>1,017</b>

## 11) Taxation & Non-specific Grant Income

Exp £'000	Income £'000	2014/15 £'000		Exp £'000	Income £'000	2015/16 £'000
	(3,588)	(3,588)	General Government Grants & Contributions		(3,643)	(3,643)
	(352)	(352)	Capital Grant & Contribution	365	(96)	269
496	(2,595)	(2,099)	Non Domestic Rates	808	(3,242)	(2,434)
	(6,602)	(6,602)	Council tax income		(6,543)	(6,543)
<b>496</b>	<b>(13,137)</b>	<b>(12,641)</b>	<b>Taxation &amp; Non-specific Grant Income</b>	<b>1,173</b>	<b>(13,524)</b>	<b>(12,351)</b>

## 12) Property Plant & Equipment

	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>							
<b>At 31st March 2015</b>	30,686	2,463	410	1,928	0	0	35,487
Additions	61	117	17	38	0	153	386
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	(319)	0	0	0	47	0	(272)
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0
Reclassifications:							
- Investment Assets	(104)	0	0	(11)	0	0	(115)
- Other Assets	6	0	0	0	103	(109)	0
Other movements in Cost or Valuation	(81)	0	0	(2)	0	0	(83)
<b>At 31st March 2016</b>	<b>30,249</b>	<b>2,580</b>	<b>427</b>	<b>1,953</b>	<b>150</b>	<b>44</b>	<b>35,403</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 31st March 2015</b>	(80)	(1,119)	(39)	(216)	0	0	(1,454)
Depreciation	(948)	(314)	(7)	(26)	(3)	0	(1,298)
Depreciation written out to Revaluation reserve	726	0	0	0	3	0	729
Impairment Losses / (Reversals) recognised in the Surplus / Deficit on Provision of Services	(91)	0	0	0	0	(8)	(99)
Revaluation requiring impairment	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0
Other Movements in Depreciation and Impairment	81	0	0	2	0	0	83
<b>At 31st March 2016</b>	<b>(312)</b>	<b>(1,433)</b>	<b>(46)</b>	<b>(240)</b>	<b>0</b>	<b>(8)</b>	<b>(2,039)</b>
<b>Net Book Value</b>							
<b>At 31st March 2016</b>	<b>29,937</b>	<b>1,147</b>	<b>381</b>	<b>1,713</b>	<b>150</b>	<b>36</b>	<b>33,364</b>
<b>At 31st March 2015</b>	<b>30,606</b>	<b>1,344</b>	<b>371</b>	<b>1,712</b>	<b>0</b>	<b>0</b>	<b>34,033</b>



Comparative movements in 2014/15

	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>						
<b>At 31st March 2014</b>	29,449	2,342	410	1,832	2,008	36,041
Additions	147	121	0	96	19	383
Revaluation Increases/ (Decreases) recognised in Revaluation Reserve	792	0	0	0	0	792
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Reclassifications to/from Held for Sale/Under Construction	357	0	0	0	(469)	(112)
Other movements in Cost or Valuation	(59)	0	0	0	(1,558)	(1,617)
<b>At 31st March 2015</b>	<b>30,686</b>	<b>2,463</b>	<b>410</b>	<b>1,928</b>	<b>0</b>	<b>35,487</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 31st March 2014</b>	(147)	(820)	(32)	(197)	(1,558)	(2,754)
Depreciation	(933)	(299)	(7)	(17)	0	(1,256)
Depreciation written out to Revaluation Reserve	1,021	0	0	0	0	1,021
Impairment Losses/ (Reversals) recognised in the Surplus/Deficit on Provision of Services	(80)	0	0	(2)	0	(82)
Revaluation requiring impairment	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Other Movements in Depreciation and Impairment	59	0	0	0	1,558	1,617
<b>At 31st March 2015</b>	<b>(80)</b>	<b>(1,119)</b>	<b>(39)</b>	<b>(216)</b>	<b>0</b>	<b>(1,454)</b>
<b>Net Book Value</b>						
<b>At 31st March 2015</b>	<b>30,606</b>	<b>1,344</b>	<b>371</b>	<b>1,712</b>	<b>0</b>	<b>34,033</b>
<b>At 31st March 2014</b>	<b>29,302</b>	<b>1,522</b>	<b>378</b>	<b>1,635</b>	<b>450</b>	<b>33,287</b>

### a) Depreciation

All assets which attract a charge for depreciation are depreciated using the straight line method, assuming no residual value. The valuers have assessed the remaining useful life of each asset as part of the valuation exercise. The Council has taken these estimated useful lives into account when calculating depreciation. For each category of asset, the useful lives used are as follows:

- Land and buildings – Buildings: minimum 10 years, maximum 50 years; Land is not depreciated
- Vehicles plant and equipment – minimum 5 years, maximum 10 years;
- Infrastructure assets – Buildings 25 years.

Certain assets have not been depreciated for the following reasons:

- Community assets – mainly freehold land which is not depreciable;
- Land - in line with the Code and standard practice

### b) Capital Commitments

There were significant capital commitments to the value of £443,059 at 31 March 2016 (£194,000 at 31 March 2015).

<b>Scheme</b>	<b>Contracted Work</b>	<b>£'000</b>
Symington Building Improved Access	Alterations to lift	60
Symington Building Roof	Re-roof rear wing	17
Relocation of Lifeline & CCTV Control	Supply / Install new CCTV Control	46
S106 Grant Panel Award	Football / Rugby extended provision	270
S106 Grant Panel Award	Various Community projects	50
		443

### c) Valuation of Plant, Property and Equipment

The Council's policy with regard to the valuation of tangible fixed assets is that assets held in the balance sheet at fair value are formally revalued every five years, although any material changes to valuations are adjusted in the interim period. Where not explicitly stated otherwise, property revaluations have been completed by Mr K.Shirer BS(Hons) MRICS a qualified valuer of the Valuation Office Agency, Nottingham. A desktop valuation exercise was carried out to identify any material changes to valuations as at 31 March 2016.

The significant assumptions applied in estimating fair values are:

- that good title can be shown and all valid planning permissions and statutory approvals are in place
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted
- that an inspection of those parts not inspected would not reveal defects that would affect valuation
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation

Land and Buildings / Asset Held For Sale – valued in accordance with International Financial Reporting Standards as applied to the United Kingdom public sector interpreted by the current CIPFA Code of Practice for Local Authority Accounting.

The valuations are made in accordance with the RICS Valuation - Professional Standards 2014 UK edition, in so far as they are consistent with the IFRS standards and CIPFA interpretation, (RICS UKVS 1.12).

Any departure from these standards are listed below:

- the instant building approach has been adopted. For assets valued at depreciated replacement cost no building periods, nor consequential finance costs have been reflected in their valuations.

**Vehicles, Plant, etc. Infrastructure, Community & AUC Assets** – based on Historic Cost.

	Other Land and Buildings	VPE, Infrastructure, Community, & AUC	Assets Held For Sale	Total
	£'000	£'000	£'000	£'000
Valued at Historic Cost:	0	3,427	0	3,427
Valued at Fair Value: 31 March 2016	29,937	0	0	29,937

### 13) Leases

#### a) The Council as Lessee

##### i) Finance Leases

The Council as Lessee did not hold any finance leases in 2015/16.

##### ii) Operating Leases

The Council held the following operating leases in 2015/16:

### Control Centre Operation

The Council had a lease agreement for floor space at Clover Court, Market Harborough for the Control Centre operation. The Council was given notice to vacate, which they did on 3 October 2015.

On 22 June 2015 The Council approved alternative premises at the Market Harborough Police Station and a lease was signed on 8 September 2015, expiring on 7 September 2018.

### Waste Contract

The Council has a 7 year contract which commenced 1 April 2009 with Focsa Services UK Ltd for waste collection, recycling, street cleaning and grounds maintenance with an option for a 7 year extension. The minimum lease payments include only payments for the lease of recycling vehicles and other plant and exclude payments for other elements in the arrangement (e.g. cost for services). In October 2014 The Council agreed an extension to the contract to 2023 with an option to break the extension in April 2016. In September 2015 the Council agreed not to exercise the break and therefore have a contract with FCC Environmental Services until March 2023.

### Storage

The Council has a short term lease arrangement for a storage unit.

The future minimum lease payments due under non-cancellable leases in future years are:

Minimum Lease Payments Due in future years are:	31 March 2015	31 March 2016
	£'000	£'000
Not later than one year	587	587
Later than one year and not later than five years	586	2,308
Later than five years	0	1,149
	<b>1,173</b>	<b>4,044</b>

The expenditure charged to the net cost of services line in the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was:

	2014/15	2015/16
	£'000	£'000
Minimum lease payments	588	590
Contingent rents	0	0
Sublease payments receivable	0	0
	<b>588</b>	<b>590</b>

## **b) The Council as Lessor**

### **i) Finance Leases**

The Council as lessor did not hold any finance leases in 2015/16.

## ii) Operating Leases

The Council has leased out properties under operating leases for the following purpose:

- for the provision of community services, such as the library and sports facilities.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- To earn rentals

The future minimum lease payments receivable under non-cancellable leases in future years are:

Minimum Lease Payments Due in future years are:	31 March 2015	31 March 2016
	£'000	£'000
Not later than one year	63	56
Later than one year and not later than five years	192	227
Later than five years	10	36
	265	319

## 14) Investment Properties

### Land at the former Cattle Market site

The Council, as lessor, maintains an operating lease with Sainsbury's Supermarkets Ltd for land at the former cattle market site, now used as a retail park, with integrated car parking. The freehold remains an asset of the Authority.

The lease of the land is for a period of 80 years expiring on 22 December 2071. Annual rental is the sum of one peppercorn (if demanded).

Initial cost of the asset predates 1992. Fair value, should the Council determine to sell the asset to the lessee, is £1.00, according to the terms of the lease.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

### Welland Park Cafe

The Council, as lessor, maintains an operating lease with Mr R.Shortland for the café premises at Welland Park. The freehold remains an asset of the authority.

The lease of the premise is for a period of 5 years expiring on 31 July 2020. Annual rental has been set at a level consistent with current market rates, with a rent review set for 13 August 2018.

At the end of the lease period, vacant possession of the premises is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Doddridge Road Office (Jubilee Memorial Hall)

The Council, as lessor, maintains an operating lease for the office premises at Doddridge Road to HF Trust Ltd. The freehold remains an asset of the authority.

The lease of the premises is for a period of 5 years expiring on 12 July 2020. Annual rental has been set at a level consistent with current market rates.

At the end of the lease period, vacant possession of the premises is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Land at Symingtons Recreation Ground

The Council, as lessor, maintains an operating lease for a parcel of land (the former Symington Recreation Bowling Club) at the Symington Recreation Ground to Harborough Youth And Community Trust, including a building constructed under a licence to alter, which will revert back to the Council on expiry of the lease. The freehold remains an asset of the authority.

The lease of the land is for a period of 28 years expiring on 8 August 2040. Annual rental is the sum of one peppercorn (if demanded).

At the end of the lease period, vacant possession of the land ( and premises) is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

	2014/15 £'000	2015/16 £'000
<b>Balance as at 1st April</b>	<b>0</b>	<b>0</b>
Additions	0	0
Transfers From Other Land & Buildings	0	115
Disposals	0	0
Net Gain / Losses from Fair Value Adjustments	0	(6)
<b>Balance as at 31st March</b>	<b>0</b>	<b>109</b>

### 15) Assets held for Sale

	Non-current	
	2014/15 £'000	2015/16 £'000
<b>Balance at start of year</b>	134	40
Assets newly classified as held for sale:		
- Property, Plant & Equipment	112	0
Impairment Losses	(60)	0
Assets Sold	(146)	(40)
Other Movements:		
- Disposal Costs	0	0
<b>Balance at end of year</b>	<b>40</b>	<b>0</b>

Assets sold in 2015/16 comprised of former garage sites at Main Street, Fleckney and Home Close, Kibworth Beauchamp. The sales in 2014/15 comprised of the former Service Shop at Lutterworth and a garage site at Ashby Rise, Great Glen.

### 16) Intangible Assets

	Purchased Software Licences	
	2014/15 £'000	2015/16 £'000
Original Cost	1,068	1,140
Amortisations to 1st April	(738)	(845)
Carrying Value at 1st April	330	295
Expenditure in Year	72	18
Revaluations in Year	0	0
Impairment in Year	0	0
Amortisation to Revenue for year	(107)	(109)
<b>Balance at 31st March</b>	<b>295</b>	<b>204</b>

During the financial year the Council purchased software licences as part of the ongoing transformation programme and redevelopment of the offices at The Symington Building. This included core software for the SQL server & 'Skill' software.

The cost of these licences is amortised to revenue over three to five years in line with the estimated useful life of the software.

There were no internally generated intangible assets in 2014/15 or 2015/16.

## 17) Financial Instruments Balances

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

	Long-Term		Current	
	31/03/2015 £'000	31/03/2016 £'000	31/03/2015 £'000	31/03/2016 £'000
<b>Financial Liabilities (principal amount)</b>	<b>(1,490)</b>	<b>(1,530)</b>	<b>0</b>	<b>0</b>
Financial Liabilities at Amortised Cost	(1,490)	(1,530)	(15)	(15)
Financial Liabilities at Fair Value through the Income & Expenditure Account	0	0	0	0
<b>Total Borrowings</b>	<b>(1,490)</b>	<b>(1,530)</b>	<b>(15)</b>	<b>(15)</b>
<b>Loans &amp; Receivables (principal amount)</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>16,689</b>
Loans & Receivables	0	0	10,000	16,689
Available for Sale Financial Assets	0	0	0	0
Cash & Cash Equivalents	0	0	7	12
Financial Assets at Fair Value through the Income & Expenditure Account	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>10,007</b>	<b>16,701</b>

The principal amounts for financial liabilities (loans) and loans and receivables (investments) have been included in the table above to show the actual figures borrowed and invested. The amortised cost figures include interest accrued.

### a) Financial Instruments Gains & Losses

The gains and losses recognised in the Total Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows.



2015/16	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	Fair Value through the CIES £'000	£'000
Interest Expense	(76)	0	0	(76)
Losses on Derecognition	0	0	0	0
Impairment Losses	0	0	0	0
<b>Interest Payable &amp; Similar Charges</b>	<b>(76)</b>	<b>0</b>	<b>0</b>	<b>(76)</b>
Interest Income	0	109	0	109
Gains on Derecognition	0	0	0	0
<b>Interest &amp; Investment Income</b>	<b>0</b>	<b>109</b>	<b>0</b>	<b>109</b>
Gains on Revaluation	0	0	0	
Losses on Revaluation	0	0	0	
Impairment charged to Income & Expenditure Account	0	0	0	
<b>Surplus arising on revaluation of Financial Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Net Gain/(Loss) for the Year</b>	<b>(76)</b>	<b>109</b>	<b>0</b>	

2014/15	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	Fair Value through the CIES £'000	£'000
Interest Expense	(75)	0	0	(75)
Losses on Derecognition	0	0	0	0
Impairment Losses	0	0	0	0
<b>Interest Payable &amp; Similar Charges</b>	<b>(75)</b>	<b>0</b>	<b>0</b>	<b>(75)</b>
Interest Income	0	69	0	69
Gains on Derecognition	0	0	0	0
<b>Interest &amp; Investment Income</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>69</b>
Gains on Revaluation	0	0	0	
Losses on Revaluation	0	0	0	
Impairment charged to Income & Expenditure Account	0	0	0	
<b>Surplus arising on revaluation of Financial Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Net Gain/(Loss) for the Year</b>	<b>(75)</b>	<b>69</b>	<b>0</b>	

## Fair Value of Assets & Liabilities carried at Amortised Cost

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:
  - Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
  - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
  - Level 3: unobservable inputs for the asset or liability

The fair values calculated are as follows:

	31/03/2015		31/03/2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt (Level 2)	1,505	2,664	1,505	2,229
Non-PWLB Debt	0	0	0	0
<b>Total Debt</b>	<b>1,505</b>	<b>2,664</b>	<b>1,505</b>	<b>2,229</b>
Creditors (Level 3)	6,087	6,087	8,008	8,008
<b>Total Financial Liabilities</b>	<b>7,592</b>	<b>8,751</b>	<b>9,513</b>	<b>10,237</b>
<p>The fair value is greater 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 in the market at the balance sheet date.</p>				
Money Market Loans less than 1 Year (Level 2)	10,000	10,005	16,689	16,702
Money Market Loans greater than 1 Year	0	0	0	0
Trade Debtors (Level 3)	1,200	1,200	971	971
Short Term Loans (Level 3)	5	5	1	1
Long Term Debtors (Level 3)	7	7	5	5
<b>Total Loans and Receivables</b>	<b>11,212</b>	<b>11,217</b>	<b>17,766</b>	<b>17,679</b>

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2016. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to the PWLB redemption rules which provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

### **18)Heritage Assets**

A heritage asset is defined by the code as an asset with “historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

In 2014/15 the Council commissioned a sculpture to commemorate the refurbishment of The Symington Building. The resulting wall art of stylised bodices “The Swedish Maidens” represents the buildings historical use as a corset factory.

It is considered that this art has measurable value and is therefore recorded on the balance sheet at “build cost”.

	2014/15 £'000	2015/16 £'000
Balance at start of year	0	15
Additions	15	0
Balance at end of year	15	15

The Council has reviewed all remaining heritage assets and these are considered to be immaterial and are therefore not shown separately in the balance sheet. The cost of valuing these assets outweighs the benefit to the user of these financial statements.

## 19) Inventories

Consumable Stores	2014/15 £'000	2015/16 £'000
Balance at start of year	75	70
Purchases	60	43
Recognised as an expense in the year	(65)	(41)
Written Off	0	
<b>Balance at end of year</b>	<b>70</b>	<b>72</b>

## 20) Debtors

### Short Term

2014/15				2015/16		
Debt	Impairments	Net		Debt	Impairments	Net
£'000	£'000	£'000		£'000	£'000	£'000
1,463	0	1,463	Government Departments	2,451	0	2,451
1,450	0	1,450	Other Local Authorities	1,236	0	1,236
0	0	0	NHS Bodies	0	0	0
0	0	0	Public Corporations	0	0	0
2,203	(992)	1,211	Other entities and individuals	2,136	(1,213)	923
<b>5,116</b>	<b>(992)</b>	<b>4,124</b>	<b>Total</b>	<b>5,823</b>	<b>(1,213)</b>	<b>4,610</b>

### Long Term

	2014/15 £'000	2015/16 £'000
Leisure Trust Debtor	7	5
	<b>7</b>	<b>5</b>

## 21) Cash and Cash Equivalents

	2014/15 £'000	2015/16 £'000
Cash held by the Authority	1	1
Bank Current Accounts	2,167	1,472
Short term deposits with Building Societies	7	12
<b>Total</b>	<b>2,175</b>	<b>1,485</b>

## 22) Creditors

	2014/15 £'000	2015/16 £'000
Government Departments	(2,970)	(4,609)
Other Local Authorities	(2,295)	(3,301)
NHS Bodies	(128)	(187)
Public Corporations	(116)	0
Other entities and individuals	(2,516)	(3,908)
<b>Total</b>	<b>(8,025)</b>	<b>(12,005)</b>

## 23) Provisions

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	(213)	(1,540)
Additional provisions made	(1,327)	(750)
Amounts used	0	0
<b>Balance at 31 March</b>	<b>(1,540)</b>	<b>(2,290)</b>

## 24) Unusable reserves

	Note	31 March 2015 £'000	31 March 2016 £'000
Financial Instruments Adjustment Account	25	0	(1)
Revaluation Reserve	26	(6,936)	(7,161)
Capital Adjustment Account	27	(20,874)	(19,097)
Collection Fund Adjustment Account	28	674	1,378
Pensions Reserve	29	32,852	23,931
Accumulated Absences Account	30	65	60
<b>Total Unusable Reserves</b>		<b>5,781</b>	<b>(890)</b>

## 25) Financial Instruments Adjustment Account

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>1</b>	<b>0</b>
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		
- Soft Loans	(1)	(1)
<b>Balance at 31 March</b>	<b>0</b>	<b>(1)</b>

## 26) Revaluation reserve

	2014/15 £'000	2015/16 £'000
<b>Balance as at 1st April</b>	<b>(5,396)</b>	<b>(6,936)</b>
Upward revaluation of assets	(1,827)	(456)
Downward revaluation of assets & impairment losses not charged to the surplus / deficit on the provision of services	14	25
Difference between fair value depreciation & historical cost depreciation	273	206
<b>Balance as at 31st March</b>	<b>(6,936)</b>	<b>(7,161)</b>

## 27) Capital Adjustment Account

	2014/15 £'000	2015/16 £'000
<b>Balance as at 1st April</b>	<b>(22,558)</b>	<b>(20,874)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>		
General Fund Charges for depreciation & impairment of non current assets	1,400	1,378
Amortisation of Intangible asset reversal	107	110
Revenue Expenditure funded from Capital under Statute	1,006	713
	<b>2,513</b>	<b>2,201</b>
Adjusting amounts written out of the Revaluation Reserve	<b>(273)</b>	<b>(206)</b>
Disposal of assets Gains / (Losses)	<b>646</b>	<b>648</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(182)
Capital expenditure charged against the General Fund balances	(10)	0
Capital grants & contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	(684)	(165)
Application of grants to capital financing from the Capital Grants Unapplied Account	(29)	(19)
Statutory provision for the financing of capital investment charged against the General Fund balances	(479)	(500)
	<b>(1,202)</b>	<b>(866)</b>
<b>Balance as at 31st March</b>	<b>(20,874)</b>	<b>(19,097)</b>

## 28) Collection Fund Adjustment Account

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>(336)</b>	<b>674</b>
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		
- Surplus on collection fund payable in future years	(109)	(89)
- NDR	1,119	793
<b>Balance at 31 March</b>	<b>674</b>	<b>1,378</b>

## 29) Pension Reserve

	2014/15 £'000	2015/16 £'000
<b>Balance as at 1 April</b>	27,058	32,852
Actuarial (gains) or losses on pensions assets and liabilities	4,690	(10,074)
Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the Comprehensive Income and Expenditure Statement	2,218	2,378
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,114)	(1,225)
Reversal of accrual for Pension termination costs	0	0
<b>Balance as at 31 March</b>	<b>32,852</b>	<b>23,931</b>

## 30) Accumulated Absence Account

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	56	65
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		
- Change in Absence Liability	9	(5)
<b>Balance at 31 March</b>	<b>65</b>	<b>60</b>



### 31) Cash Flow Statement – Operating Activities

	2014/15 £'000	2015/16 £'000
Interest received	65	108
Interest paid	(75)	(75)
	(10)	33

### 32) Cash Flow Statement – Investing Activities

	2014/15 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(722)	(673)
Purchase of short-term and long-term investments	(1,000)	(6,689)
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	791	506
Proceeds from short-term and long-term investments	0	0
Other receipts from investing activities	9	0
<b>Net cash flows from investing activities</b>	<b>(922)</b>	<b>(6,856)</b>

### 33) Cash Flow Statement – Financing Activities

	2014/15 £'000	2015/16 £'000
Cash receipts of short and long-term borrowing	0	(40)
Other receipts from financing activities	1,308	1,564
Repayments of short and long-term borrowing	0	0
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>1,308</b>	<b>1,524</b>

### **34) Discontinued Operations**

There were no operations discontinued during the current or previous year.

### **35) Trading Operations – Market Hall, St Mary’s Place, Market Harborough**

	2014/15 £000	2015/16 £000
<b>Income from Stallholders:</b>		
- rents and charges	(324)	(343)
<b>Expenditure</b>	497	484
<b>(Surplus) / Deficit</b>	173	141

The Council provides a market facility operating from a market hall building and the market square. The market is open 6 days per week, Tuesday to Sunday, and is home to up to 75 businesses on any trading day.

### **36) Members Allowances**

Members of the Council received payments amounting to £284,000 during the financial year, compared with £299,000 in 2014/15.

	2014/15 £'000	2015/16 £'000
Salaries	0	0
Allowances	281	265
Expenses	18	19
	299	284

### **37) Remuneration of Senior Officers**

In accordance with Regulation 7(2) of the Accounts and Audit Regulations 2003 the Council is required to disclose the number of officers whose remuneration in the year amounted to £50,000 or more, starting at that level and rising in bands of £5,000. For this purpose, remuneration is deemed to be the total of all sums paid to or receivable by an officer, sums due by way of expense allowances, and the monetary value of benefits received other than in cash. Pension contributions payable by either the employee or the Council are excluded. The following tables both include senior officers of the Council.

Remuneration Band	2014/15 No.	2015/16 No.
£50,000 to £54,999	5	3
£55,000 to £59,999	1	4
£60,000 to £64,999	0	0
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £85,999	0	0
£85,000 to £89,999	2	0
£90,000 to £94,999	0	2
£95,000 to £99,999	0	0
£100,000 to £104,999	0	0

The remuneration of Senior Officers whose salary was more than £50,000 in 2015/16 is as follows:

Post Holder		Salary, Fees and Allowances	Expense Allowances	Pension Contributions	Total	Note
		£	£	£	£	£
Chief Executive (Left 21/04/2014)	2015/16	0	0	0	0	A
	2014/15	5,122	379	1,315	6,816	
Corporate Director - Resources	2015/16	89,511	1,671	21,483	112,665	A
	2014/15	86,269	1,810	18,979	107,058	
Corporate Director - Community Services	2015/16	89,511	963	21,483	111,957	A
	2014/15	86,269	963	18,979	106,211	
Shared Head of Legal and Democratic Services	2015/16	56,774	1,199	13,626	71,599	B
	2014/15	55,866	1,195	12,291	69,352	
Head of Community, Wellbeing and Partnerships	2015/16	45,419	1,434	10,901	57,754	
	2014/15	44,693	1,284	9,832	55,809	
Head of Finance & Corporate Services and Section 151 Officer	2015/16	55,662	1,614	13,359	70,635	
	2014/15	53,701	1,193	11,814	66,708	
Head of Planning and Regeneration (Started 01/04/2015)	2015/16	55,569	1,127	13,337	70,033	
	2014/15	0	0	0	0	
Total	2015/16	392,446	8,008	94,189	494,643	
Total	2014/15	331,920	6,824	73,210	411,954	

No amounts included in the above table are outside the Council's policies in respect of Salary, Benefits, Expenses, Redundancy or Pensions.

## Notes

- A Following the departure of the Chief Executive, The Council decided to use the two director model with rotation of the Head of Paid Service duties on a six monthly basis.
- B For the shared Head of Legal and Democratic Services post reimbursement is received from the partner Council (Melton Borough Council).

### **38) External Audit Cost**

Harborough District Council incurred the following fees relating to external audit and inspection:

	2014/15 £'000	2015/16 £'000
Fees payable with regard to external audit services carried out by the appointed auditor (section 5 of the Audit Commission Act 1998)	55	42
Fees payable for the certification of grant claims and returns by the appointed auditor (section 28 of the Audit Commission Act 1998)	16	14
Fees payable in respect of any other services provided by the appointed auditor	0	0
	<b>71</b>	<b>56</b>

The appointed auditor during 2015/16 was KPMG LLP.

### 39) Grant Income and Other Contributions

a) In 2015/16, Harborough District Council received the following grants and contributions.

	2014/15 £'000	2015/16 £'000
<b>General</b>		
NNDR Baseline	(1,577)	(1,607)
NNDR Income	(1,665)	(1,077)
Small Business Rate Relief Section 31 Grant	(473)	(558)
Revenue Support Grant	(1,850)	(1,367)
New Homes Bonus	(1,639)	(2,182)
Council Tax Freeze Grant	(56)	(57)
Other DCLG	0	(18)
Challenge New Burdens Grants	(16)	0
Business Rates New Burdens Grants	(11)	0
<b>Specific</b>		
Rent Allowance Subsidy	(11,580)	(11,566)
Housing Benefit Admin Grant	(265)	(233)
NNDR Cost of Collection	(124)	(126)
Other DCLG	(89)	(104)
DWP	(78)	(75)
Leicestershire County Council	(395)	(122)
Other Specific grants	(430)	(48)
<b>Revenue through CIES</b>		
Disabled Facilities	(3)	(199)
Other REFCUS	(674)	(309)
<b>Capital through CIES</b>		
Other Capital Grant and contributions (see note 11)	(352)	269
	(21,277)	(19,379)

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

Capital Grants Receipts in Advance	31/03/2015 £'000	31/03/2016 £'000
S.106 Developer Contributions	(1,414)	(1,582)
Other Capital Grant	(231)	(253)
Other Capital Contribution	0	0
	(1,645)	(1,835)

#### 40) Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

a) **Central Government** has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). See note 39 Grant Income for further information.

b) **Other public bodies** –

	Exp £'000	Income £'000	2015/16 £'000
Leicestershire County Council On Street Parking Enforcement	0	(289)	(289)
Melton Borough Council Off Street Parking Enforcement	0	(54)	(54)
Blaby District Council Off Street Parking Enforcement	0	(50)	(50)
Oadby & Wigston Borough Council Off Street Parking Enforcement	0	(35)	(35)
Hinckley & Bosworth Borough Council Off Street Parking Enforcement	0	(5)	(5)
North West Leicestershire Strategic Joint Planning Contribution	7	0	7
Rutland County Council - Welland Internal Audit Consortium	56	0	56
Rutland County Council - Emergency Planning	25	0	25
Leicestershire County Council - Museum	0	(7)	(7)
Leicester City Council - Provision of Payroll Services	12	0	12
Leicester City Council - Apprenticeship Grant	40	0	40
Hinckley & Bosworth BC - Revs & Bens Partnership	947	(615)	332
Melton BC - Shared Legal Service	0	(110)	(110)
Charnwood BC - Contact Centre Services	322	0	322
<b>Related Party Income &amp; Expenditure</b>	<b>1,409</b>	<b>(1,165)</b>	<b>244</b>

c) **Members of the Council** have direct control over the Council's financial and operating policies. During 2015/16 there were no significant payments to or receipts from parties in which Members had an interest. All contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests which is open to public inspection. The Council's elected members act as trustees to the H.W. Symington Memorial Charity. No remuneration is received by members in respect of their roles as trustees although travel and subsistence costs may be reclaimed as necessary. See note 36 for Member Allowance details.

d) **Officers of the Council** reported no related party transactions.

#### 41) Capital Expenditure and Sources of Finance

The table below shows capital expenditure in the year on an accruals basis together with details of how that expenditure has been financed. The table also demonstrates the movement in the Capital Financing Requirement (underlying need to borrow) during the year.

	2014/15 £'000	2015/16 £'000
Opening Capital Financing Requirement	5,962	6,236
<u>Capital Expenditure:</u>		
Operational Assets	470	404
Revenue Expenditure Funded from Capital Under Statute	1,006	714
<u>Sources of Finance:</u>		
Capital Receipts	0	(182)
Government Grants & Other Contributions	(713)	(590)
Sums set aside from Revenue (including MRP)	(489)	(500)
Closing Capital Financing Requirement	6,236	6,082
 Movement in Year	 274	 (154)
<u>Explanation of Movements in Year:</u>		
Increase in underlying need to borrow (supported by Government financial assistance)	0	
Increase/(Decrease) in underlying need to borrow unsupported by Government financial assistance)	274	(154)
Increase/(Decrease) in Capital Financing Requirement	274	(154)

#### 42) Termination Benefits

In 2015/16 the Authority terminated a single contract. Due to this being a single contract with a value of less than £20,000 and therefore not material no further disclosure has been made.

In 2014/15 the Authority announced the termination of a number of contracts. Termination benefits of £147k were accrued covering 8 members of staff.

#### **43) Local Government Pension Scheme**

##### **a) Participation in the Pension Scheme**

Harborough District Council offers retirement benefits to its staff as part of their terms and conditions of employment. Though these benefits are not payable until employees reach retirement, the Council is committed to making the payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit pension scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets. In addition the Council has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme, the estimated outstanding liability for which was £1.076m at 31 March 2016 (£1.133m at 31 March 2015).

##### **b) Transactions Relating to Retirement Benefits**

The cost of retirement benefits is accounted for in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance for the year. The following transactions have been made in the Comprehensive Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.



	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
<b><u>Service Cost</u></b>				
Current Service Cost	1,046	1,286		
Past Service Cost (including curtailments)	10	39	0	0
<b>Total Service Cost</b>	<b>1,056</b>	<b>1,325</b>	<b>0</b>	<b>0</b>
<b><u>Financing &amp; Investment</u></b>				
Interest income on scheme assets	(1,431)	(1,218)		
Interest cost on defined benefit obligation	2,543	2,235	50	36
<b>Total net interest</b>	<b>1,112</b>	<b>1,017</b>	<b>50</b>	<b>36</b>
<b>Total Post Employment Benefits charged to the surplus or deficit on the provision of services Remeasurements if the Net Defined Liability comprising:</b>	<b>2,168</b>	<b>2,342</b>	<b>50</b>	<b>36</b>
Return on plan assets excluding amounts included in net interest	(3,874)	936		
Actuarial losses arising from changes in demographic assumptions	0	0		
Actuarial losses arising from changes in financial assumptions	9,249	(10,019)		
Other	(685)	(991)		
<b>Total remeasurements recognised in other comprehensive income</b>	<b>4,690</b>	<b>(10,074)</b>	<b>0</b>	<b>0</b>
<b>Total Post Employment benefits charged to the Comprehensive Income &amp; Expenditure Statement.</b>	<b>6,858</b>	<b>(7,732)</b>	<b>50</b>	<b>36</b>
<b><u>Movement in Reserves Statement:</u></b>				
Reversal of net charges made to the surplus on provision of services	(2,168)	(2,342)	(50)	(36)
Employers' contributions payable to the scheme	1,043	1,151		
Retirement benefits payable to pensioners			71	74

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2016 a loss of £19.387m and at 31 March 2015 was a loss of £29.461m.

The Actuary has projected the total Pension Expense for the year to 31 March 2017 at £1.209m.

**c) Assets & Liabilities in Relation to Retirement Benefits**

The updated underlying assets and liabilities for retirement benefits attributable to Harborough District Council at 31 March are set out in the table below.

	31 March 2015 £'000	31 March 2016 £'000
Fair value of employer assets	38,353	38,075
Present value of funded liabilities	(70,072)	(60,930)
Present value of unfunded liabilities	(1,133)	(1,076)
<b>Net Pensions Liability</b>	<b>(32,852)</b>	<b>(23,931)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability of £23.931m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions to the scheme over the remaining working life of employees, in the light of the performance of the fund as assessed by the scheme actuary.

A reconciliation of present value of scheme liabilities is calculated as follows:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
<b>Opening fair value of scheme liabilities at 1 April</b>	59,454	70,072	1,175	1,133
Current Service Cost	1,046	1,286		
Interest Cost	2,564	2,235	50	36
Contributions by Members	315	310		
<b>Remeasurement gain</b>				
Actuarial losses arising from changes in demographic assumptions	0	0		
Actuarial losses arising from changes in financial assumptions	9,249	(10,000)	(21)	(19)
Other	(685)	(991)		
Losses / (Gains) on Curtailments	10	39		
Past Service Costs				
Estimated Unfunded benefits Paid			(71)	(74)
Estimated Benefits Paid	(1,881)	(2,021)		
<b>Closing Balance at 31 March</b>	<b>70,072</b>	<b>60,930</b>	<b>1,133</b>	<b>1,076</b>

The reconciliation of the movement in fair value of Scheme Assets is shown below.

	2014/15 £'000	2015/16 £'000
<b>Opening fair value of scheme assets at 1 April</b>	<b>33,571</b>	<b>38,353</b>
Interest income on plan assets	1,431	1,218
Contributions from employees into the scheme	315	310
Contributions by the Employer	1,043	1,151
<b>Remeasurement gain:</b>		
Return on assets excluding amounts included in net interest	3,874	(936)
Benefits Paid	(1,881)	(2,021)
<b>Closing fair value of scheme assets at 31 March</b>	<b>38,353</b>	<b>38,075</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date and returns on equities reflect long term real rates of return in the respective markets.

Pension Scheme assets are comprised of:

Asset category	Period ended 31 March 2015				Period ended 31 March 2016			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percent age of Total Assets %	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percent age of Total Assets %
<b>Equity</b>								
<b>Securities:</b>								
Other	1,190.1	-	1,190.1	3%	1,040.4	-	1,040.4	3%
<b>Debt Securities:</b>								
UK Government	2,104.1	-	2,104.1	6%	2,010.3	-	2,010.3	5%
Other	1,577.1	-	1,577.1	4%	1,567.4	-	1,567.4	4%
<b>Private Equity:</b>								
All	-	1,455.2	1,455.2	4%	-	1,461.7	1,461.7	4%
<b>Real Estate:</b>								
UK Property	-	3,634.5	3,634.5	10%	-	3,877.6	3,877.6	10%
<b>Investment Funds and Unit Trusts:</b>								
Equities	19,337.6	-	19,337.6	50%	18,679.4	-	18,679.4	49%
Bonds	1,172.4	2,400.1	3,572.5	9%	1,194.6	2,903.0	4,097.6	11%
Hedge Funds	1,630.5	33.8	1,664.3	4%	1,688.0	39.9	1,727.9	5%
Commodities	874.0	737.1	1,611.1	4%	1.0	817.3	818.3	2%
Infrastructure	-	904.1	904.1	2%	-	994.3	994.3	3%
Other	703.6	-	703.6	2%	1,052.9	-	1,052.9	3%
<b>Derivatives</b>								
Interest Rate	214.4	-	214.4	1%	(14.0)	-	(14.0)	0%
<b>Cash and Cash Equivalents:</b>								
All	384.4	-	384.4	1%	761.2	-	761.2	2%
	<b>29,188</b>	<b>9,165</b>	<b>38,353</b>	<b>100%</b>	<b>27,981</b>	<b>10,094</b>	<b>38,075</b>	<b>100%</b>

#### d) Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. This assessment has been undertaken by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2013.

The main assumptions used in their calculations are:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2014/15	2015/16	2014/15	2015/16
<b>Mortality assumptions</b>				
Longevity at 65 for current pensioners				
Men	22.2	22.2	22.2	22.2
Women	24.3	24.3	24.3	24.3
Longevity at 65 for future pensioners				
Men	24.2	24.2		
Women	26.6	26.6		
<b>Economic assumptions</b>				
Rate of inflation	2.40%	2.20%	2.40%	2.20%
Rate of increase in salaries	4.30%	3.20%		
Rate of increase in pensions	2.40%	2.20%	2.40%	2.20%
Rate for discounting scheme liabilities	3.20%	3.50%	3.20%	3.50%
Take-up of option to convert annual pension into retirement grant	50.0%	50.0%		

Mortality assumptions are derived from the PFA92 and PMA92 life expectancy tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised above:

Under the projected unit method current service costs will increase for any scheme where the age profile of the active membership is significantly rising, as the members of the scheme approach retirement age. This is not currently the case in this Authority.

Change in assumptions at 31 March 2016:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount rate	10%	6,323
1 year increase in member life expectancy	3%	1,860
0.5% increase in the Salary Increase Rate	3%	1,695
0.5% increase in the Pension Increase Rate	7%	4,560

Further information can be found in Leicestershire County Council's Pension Fund Annual Report, which is available on request from Leicestershire County Council, Glenfield, Leicester.

#### **44) Contingent Liabilities**

There are the following contingent liabilities:

##### **a) Municipal Mutual Insurance Limited (MMI)**

Municipal Mutual Insurance (MMI) is an insurance company limited by guarantee and not having a share capital, which was established by a group of local authorities and incorporated under the Companies Acts 1862 to 1900 on 13 March 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement.

In September 1992 MMI ceased to write new, or to renew, general insurance business. The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered.

A levy notice was issued based on 25% of the value of total claims carried forward exceeding £50,000 to 31 December 2016. This was a total of £4,103, £2,462 of which was paid in 2013/14.

The Scheme Administrators will continue to review on an annual basis and may incur costs in the future.

##### **b) Repayment of ERDF Grant**

The Council received grant funding from the European Regional Development Fund (ERDF) towards the construction of the Harborough Innovation Centre. The level of grant funding was dependant upon estimates of trading performance over a period of ten years ending 2020/21. As actual trading performance has exceeded the estimated performance, there is a possibility that excess grant funding will need to be returned. The Council are in the process of consulting with the ERDF over the exact level of grant repayment required. A accrual of £356k is included within creditors.

##### **c) Land charges**

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspects of the claim. As present it is not possible to put a final value of these potential liabilities and so the Council has instead recognised a contingent liability.

#### **45) The Nature and Extent of Risk Arising from Financial Instruments**

##### **a) Key Risks**

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 requiring 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.

#### **b) Overall Procedures for Managing Risk**

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

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by the Finance Services 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 regularly.

#### **c) Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

Trade Debtors include amounts owing from Local Authorities of £361k relating to contractual arrangements. The Council allows 14 days credit for its customers, such that the amount of £971k (2014/15 1,022k) is past its due date for payment. The past due amount can be analysed by age as follows:

	2014/15 £'000	2015/16 £'000
Less than one year	681	555
Between one and two years	3	2
Between two and three years	8	3
More than three years	330	411
	<b>1,022</b>	<b>971</b>

Collateral – During the reporting period the council held no collateral as security.

**d) Liquidity risk**

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

**e) Refinancing and Maturity Risk**

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.



The maturity analysis of financial liabilities is as follows:

	2014/15 £'000s	2015/16 £'000s
Less than one year	0	0
Between one and two years	0	0
Between two and seven years	0	40
Between seven and 15 years	22	22
More than fifteen years	1,468	1,468
	1,490	1,530

The maturity analysis of financial assets is as follows:

	2014/15 £'000s	2015/16 £'000s
Less than one year	10,007	16,701
Between one and two years	0	0
Between two and three years	0	0
More than three years	0	0
	10,007	16,701

All trade and other payables are due to be paid in less than one year and trade debtors of £0.97m (2014/15 £1.2m) are not shown in the table above.

#### f) Market risk

i) **Interest rate risk** - The Council has limited exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and effect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance Services team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

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

	£000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(213)
Impact on Income and Expenditure Account	(213)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at amortised Cost

- ii) **Price risk** - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.
- iii) **Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

#### **46) Trust Funds**

The Council acts as administrator and trustee for various trust funds. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

The Council also administers several smaller trust funds, mainly in the form of investments, which total £2,134.

##### Howard Watson Symington Memorial Charity Fund

This is the largest trust for which the Council is responsible, and was created when the Council vacated Brooklands in Northampton Road, Market Harborough. Brooklands was donated to the Council in 1946 by W.Symington & Co. Ltd. for the benefit of the people of the former Market Harborough Urban District Council, and is one of the assets of the Charity. On 27 February 2014 Brooklands, was sold by the Charity to Seven Locks Housing.

The Charity was the legal owner of the sheltered housing flats at Brooklands Gardens, and associated assets which were built in 1987 on land owned by the Charity. They were managed on the Charity's behalf by Seven Locks Housing, until 20 February 2013, when Brooklands Gardens were sold to Seven Locks Housing by the Charity.

Harborough District Council is the sole corporate trustee of the Charity. The Council set up the Howard Watson Symington Memorial Charity Area Committee which was delegated responsibility for the administration of the Charity and the application of the income in accordance with the charity scheme, and, as such, allocate funding to projects and/ or individuals that meet the criteria set out in the objects of the Charity.

The Council no longer administers the Charity's funds as the local authority. The Charity's funds were administered by the Area Committee through its own bank account. On 1 December 2014 The Executive of the Council removed the Administration from the Area Committee and is undertaking the administration itself. The Executive have agreed a process for appointing alternative trustees during the course of 2016/17.

For further details see the Annual Report and Accounts of the H.W.Symington Memorial Charity, available on the Charity Commission's web-site.

#### **47) Material Items of Income and Expense**

Where items are not disclosed on the face of the Comprehensive Income and Expenditure statement the code requires a separate note to provide information.

<b>Expenditure</b>	<b>2014/15</b> £'000s	<b>2015/16</b> £'000s
Housing Services - Rent Allowances	12,059	11,992

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

The Local Government Finance Act 2012 introduced the business rates retention system from 1 April 2013. The new arrangements enable local authorities to retain a proportion of the business rates generated in their area. Billing authorities collect rates on behalf of Central Government (50%), Major Preceptors – Leicestershire County Council (9%) and the Leicestershire Fire and Rescue Service (LFRS) (1%) – and themselves (40%).

The Government calculated two "baselines" for each local authority – a funding baseline and a rates baseline. Where the funding baseline is higher than the rates baseline (as is the case for Leicestershire) the authority requires a "top-up" and is not subject to a levy on any business rates growth. Where an authority's rates baseline is higher than its funding baseline, the authority is in a "tariff" position and will contribute to a central fund which is redistributed to "top-up" authorities. This is the case for Harborough District Council.

"Tariff" authorities are subject to a levy on any real terms growth in business rates at a maximum rate of 50%. In non-Pooled areas the tariff is payable to the Government and will be used to fund "safety net" payments to authorities which have seen significant reductions in business rates income. The safety net is currently activated if retained rates fall below 92.5% of the funding baseline for the authority.

Authorities were invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity.

Leicestershire County Council along with Leicester City Council, the LFRS and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2015/16, the Leicester and Leicestershire Pool (LLP).

Leicestershire County Council was the lead authority for the LLP. The Pool was in a net top-up position, meaning that it could not be subject to a levy to the Government; a safety net position was technically feasible but given the scale of loss that would have to be suffered was unlikely to arise.

The Pool was based on a “no better, no worse” position, with District Councils paying any levies into the Pool and any safety net payments being made from the Pool. Amounts were set aside for a contingency for future safety nets and any further income above that level was to be passed to the Leicester and Leicestershire Economic Partnership (LLEP).

The surplus at the end of 2015/16 has been retained by the Pool and will be distributed in agreement with the LLEP Partners

The Accounts include a creditor for a levy due to the pool of £0.808m. Harborough District Council is able to retain our share of growth of £0.808m, this is included as income on the CIES. This has been set aside in an earmarked reserve to provide future funding for the authority.

#### **49) Post Balance Sheet Events**

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force.

During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

#### **50) Date of Authorisation**

The Statement of Accounts was authorised for issue by S Riley, Section 151 Officer on 28 June 2016 after due consideration of any post balance sheet events.

**COLLECTION FUND**

2014/15 £'000 Council Tax	2014/15 £'000 NNDR	2014/15 £'000 Total		2015/16 £'000 Council Tax	2015/16 £'000 NNDR	2015/16 £'000 Total	Note
(48,809)	0	(48,809)	<b>Income</b>	(50,368)	0	(50,368)	2
		0	Income from Council Taxpayers			0	
0	(38,127)	(38,127)	Transfer from General Fund:	0	(38,568)	(38,568)	3
<b>(48,809)</b>	<b>(38,127)</b>	<b>(86,936)</b>	<b>Total Income</b>	<b>(50,368)</b>	<b>(38,568)</b>	<b>(88,936)</b>	
			<b>Expenditure</b>				
47,436	0	47,436	Precepts and Demands from County and District Business Rates	48,994	0	48,994	4
0	0	0	- Payment to National Pool	0	0	0	
0	18,499	18,499	- Payment to Government for Central Share	0	19,098	19,098	
0	3,700	3,700	- Payment to Preceptors	0	3,820	3,820	
0	0	0	- Payment to Local Pool	0	0	0	
0	14,799	14,799	- Payment to Harborough District Council	0	15,279	15,279	
0	124	124	- Costs of Collection	0	126	126	
136	14	150	Bad and Doubtful Debts/Appeals				
182	139	321	- Provisions	121	(35)	86	
0	3,318	3,318	- Write offs	54	107	161	
			- Provision for Appeals	0	1,873	1,873	
252	331	583	Distribution of previous year's estimated Collection Fund Surplus	453	284	737	5
<b>48,006</b>	<b>40,924</b>	<b>88,930</b>	<b>Total Expenditure</b>	<b>49,622</b>	<b>40,552</b>	<b>90,174</b>	
<b>(252)</b>	<b>(754)</b>	<b>(1,006)</b>	<b>Collection Fund Balance at 1 April</b>	<b>(1,055)</b>	<b>2,043</b>	<b>988</b>	
<b>(803)</b>	<b>2,797</b>	<b>1,994</b>	<b>(Surplus)/Deficit for the year</b>	<b>(746)</b>	<b>1,984</b>	<b>1,238</b>	
<b>(1,055)</b>	<b>2,043</b>	<b>988</b>	<b>Collection Fund Balance at 31 March</b>	<b>(1,801)</b>	<b>4,027</b>	<b>2,226</b>	

## NOTES TO THE COLLECTION FUND

### 1. General

The Collection Fund shows the transactions of the billing authority in terms of Council Tax and Business Rates, and demonstrates how the income from these sources is distributed to precepting authorities and the General Fund. The surplus or deficit on the Collection Fund at the year end is distributed to, or made good by contributions from, the billing and precepting authorities on the basis of estimates of such outturn made on the 15 January preceding.

### 2. Council Tax Income and the Council Tax Base

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. Individual charges are determined by dividing the demands and precepts of the Council, the County Council, the Police and Crime Commissioner and the Fire Authority by the Council Tax base. The Council Tax base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The Band D Council Tax for 2015/16 was £1,523.31 (£1,503.42 in 2014/15). The charge for all other bands is calculated by multiplying the Band D charge by the appropriate ratio for each band.

Income from Council Taxpayers in 2015/16 was £50.4m

The Council Tax Base used for setting the 2015/16 Council Tax was calculated as follows:

	Dwellings in Banding List	Net effect of premiums and discounts	Adjusted Amount for Council Tax Band	Proportion of Band D Tax	Equivalent Band D Dwellings  (to one decimal place)
AR	0	0.0	0.0	5/9	0.0
A	4,358	(2,488.3)	1,869.7	6/9	1,869.7
B	7,967	(3,157.8)	4,809.2	7/9	4,809.2
C	7,442	(1,831.9)	5,610.1	8/9	5,610.1
D	5,862	(575.0)	5,287.0	1	5,287.0
E	5,642	769.5	6,411.5	11/9	6,411.5
F	3,237	1,182.4	4,419.4	13/9	4,419.4
G	2,403	1,430.1	3,833.1	15/9	3,833.1
H	227	185.2	412.2	18/9	412.2
Irrecoverable allowance					(489.2)
<b>Tax Base for the Calculation of Council Tax</b>					<b>32,163.0</b>

\* - adjustments include Disabled Persons Exemptions, Exempt Properties and Discounts.

### **3. Business Rate Income**

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

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

The business rates shares payable for 2015/16 were estimated before the start of the financial year as £19.098m to Central Government, £3.820m to the Preceptors and £15.279m to Harborough District Council. These sums have been paid in 2015/16 and charged to the collection fund in year.

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 Harborough District Council pays a tariff to the value of £11.914m.

The total income from business rate payers collected in 2015/16 was £38.6m (£38.2m in 2014/15). This sum includes £2k of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government.

The rate multiplier set by the Government for 2015/16 was 49.3p or 48p for small businesses (in 2014/15 was 48.2p or 47.1p for small businesses).

The total rateable value as at 31 March 2016 was £90,466,706 the equivalent at 31 March 2015 being £89,990,352.

#### 4. Precepts and Demands on the Collection Fund – Council Tax

	2014/15 £'000	2015/16 £'000
Harborough District Council	6,459	6,392
Leicestershire County Council	33,539	34,869
Leicestershire Police and Crime Commissioner	5,568	5,789
Leicestershire, Leicester & Rutland Fire Authority	1,870	1,944
	<b>47,436</b>	<b>48,994</b>

#### 5. Collection Fund Surpluses – Council Tax

The precepts above are shown net of the contribution towards previous years estimated surpluses, which comprise the following:

	2014/15 £'000	2015/16 £'000
Harborough District Council	34	62
Leicestershire County Council	179	320
Leicestershire Police and Crime Commissioner	29	53
Leicestershire, Leicester & Rutland Fire Authority	10	18
	<b>252</b>	<b>453</b>

#### 6. Collection Fund Balances

The balance carried forward on the Collection Fund at 31 March 2016 comprises a Council Tax surplus of £1,800,883 (£1,055,374 surplus at 31 March 2015). Any surplus or deficit relating to Council Tax must be shared between the Council and the major precepting authorities in proportion to the value of the precepts or demands which they each levy.

The share owed to major precepting authorities at 31 March 2016 is £1,567,864 and this appears as a creditor on the balance sheet (£911,806 as at 31 March 2015). The Council's own share of the Council Tax surplus, £233,019 is shown in the net worth section of the balance sheet (£143,568 surplus at 31 March 2015).

Included in the Collection Fund for 2015/16 is an amount of £1,873k (£3,318k 2014/15) related to a provision for appeals for NNDR. The council has accounted for our share of this provision, which cumulatively amounts to £2,290k (£1,540k 2014/15). The remainder relates to preceptors shares.



## **GLOSSARY OF TERMS**

### **ACCRUALS**

The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

### **ACQUIRED OPERATIONS**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. 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:

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

### **AUC**

Assets Under Construction – these are assets that are not yet available for use, for example a building that is in the process of being built and not yet able to be occupied.

### **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.

### **CASH EQUIVALENTS**

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.

### **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 and historic buildings.

### **CONSISTENCY**

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

### **CONTINGENCY**

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

### **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 activities. There is therefore no logical basis for apportioning these costs to services.

### **CURRENT SERVICE COSTS (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:

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

### **DEFINED BENEFIT SCHEME**

A pension or 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 investment 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 a percentage of pay. The employer will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, passing of time, or obsolescence through technological or other changes.

### **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 statements are approved:

- 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 date on which the financial statements are approved.
- the activities related to the operation have ceased permanently.
- 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 from either 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.
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all of the above conditions are classified as continuing.

### **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which 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) Regulations (Scotland) 1998; or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

### **EVENTS AFTER THE BALANCE SHEET DATE**

Those events, whether favourable or unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorized 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 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 a fixed asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **FINANCE LEASE**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the start of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

### **GOING CONCERN**

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

### **GOVERNMENT GRANTS**

Assistance by the 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.

## **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

## **INFRASTRUCTURE ASSETS**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

## **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.

## **INVENTORIES**

The amount of unused or unconsumed stock 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, Inventories comprise the following categories:-

- Goods or assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances; and
- Finished goods.

## **INVESTED RIGHTS**

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

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

## **INVESTMENTS (NON-PENSIONS FUND)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments other than those relating to the pensions fund, which do not meet the above criteria should be classified as current assets.

## **INVESTMENTS (PENSIONS FUND)**

The investments of the pensions fund will be accounted for in the statements of that Fund. However, authorities (other than town parish councils, community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

## **INVESTMENT PROPERTIES**

Interest in land and/or buildings:-

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

## **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 CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or 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 within the balance sheet, i.e. their historical cost or current value less 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.

## **NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits, and should not be apportioned to services.

## **NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority but not used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## **OPERATING LEASES**

A lease other than a finance lease.

## **OPERATIONAL ASSETS**

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

## **PAST SERVICE COST**

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

### **PRIOR YEAR ADJUSTMENTS**

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **PROJECTED UNIT METHOD**

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

- the benefits for pensioners and deferred pensioners (i.e. the 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
- 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.

### **PROPERTY, PLANT & EQUIPMENT (PPE)**

Property, Plant and Equipment (used to be Tangible Fixed Assets) that yield benefits to the local authority and the services it provides for a period of more than one year.

### **PRUDENCE**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

### **RESEARCH AND DEVELOPMENT**

Expenditure falling into one or more of the following broad categories:

- Pure (or Basic) Research:- experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or applications;
- Applied research:- original or critical investigations undertaken in order to gain new scientific or technical knowledge directed towards a specific practical aim or objective;
- Development:- use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

### **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:

- An employer's decision to terminate an employee's employment before the normal retirement date; or

- 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.

### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets.

### **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 lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### **USEFUL LIFE**

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







## Independent auditor's report to the members of Harborough District Council

We have audited the financial statements of Harborough District Council for the year ended 31 March 2016 on pages 18 to 86. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer; and the overall presentation of the financial statements.

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

### Opinion on financial statements

In our opinion the financial statements:

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

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

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

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

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

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

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

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

## Conclusion

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

## Certificate

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



**Tony Crawley**

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

*Chartered Accountants*

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29 September 2016

