



STATEMENT OF ACCOUNTS

2018/19

Statement of Accounts 2018/19

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Narrative Statement

Economic Environment

The first half of 2018/19 has seen UK economic growth post only a modest performance. However, after an adverse weather depressed performance in quarter 1, growth has been recovering pace and the latest 3 month rolling average came in at a healthy 0.7%. The positive run of economic statistics was sufficiently robust for the Monetary Policy Committee, (MPC) to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest overall at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in 2019.

Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation 2% inflation target is expected over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

Council Context

Within the overall economic context, the Council has performed well financially, presenting a balanced budget for 2018/19, gaining good returns on investment and further developing efficiencies to take us forward and maintain services over the period of the Medium Term Financial Strategy. The financial standing of the Council continues to be robust and built upon solid foundations, with Reserves held at a sufficient level to meet potential future challenges and reductions in Government funding for local authorities. There are good financial management and governance processes and procedures in place which are reviewed regularly by management and internal audit. Resources are allocated as part of the annual budget setting process and service pressures and savings are considered as part of this process which involves the submission and consideration of business cases. These are considered against the totality of available resources and budgets are then broken down by ten services organised into three directorates as can be seen in the Expenditure and Funding analysis on page 9.

During the course of the year there were a number of factors that impacted on expenditure/income with regard to the collection of waste and recycling, there was a reduction in recycling credit payments and an increase in gate fees for recycling as a result of changes to the value of materials and increased contamination. Income from the garden waste subscription scheme increased as a result of increased charges and a higher number of subscribers, the net increased costs compared to 2017/18 are £407K. Planning Services increase increased net costs compared to 2017/18 are £256K, this was due to a reductions of fee income in both Planning and Building Control Services.

Financial Statements

The purpose of the published statement of accounts is to give electors, local taxpayers, members of the Council and other interested parties clear information about the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The aim is to provide users with information that is fair, balanced and understandable. A glossary of terms is included at the end of the document. The statements should inform readers of

- The cost of services provided by the Council in the year 2018/19.
- How services were paid for.
- The Council's assets and liabilities at the year-end and
- The financial performance of the Council.

For 2018/19 the Council invested in two Property Funds in order to access higher investment returns associated with these types of investment. This gave access to the Property market using the expertise of the Fund Managers whilst spreading the investment out over a portfolio of Properties to reduce the risk, both investments made gains in the year, which are reflected in the Statement of Accounts. The investment objective is to provide investors with capital appreciation and secure income returns through prudential investment across the UK's principal property sectors and geographic regions.

The following Core Financial statements are also included: -

- The **Comprehensive Income and Expenditure Statement** which shows all of the Council's income and expenditure for the financial year. The top part of the statement shows a breakdown by service and the bottom part relates to transactions and funding at a corporate level, which links the statement to budget monitoring reports that are produced for management throughout the year and are subject to Member scrutiny.
- The **Balance Sheet** which sets out a 'snapshot' of the overall financial position of the Council at 31st March 2019 showing its assets, liabilities and reserves.
- The **Movement in Reserves Statement**. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (i.e. those that arise out of interaction of legislation and proper accounting practice to store revaluation gains or as an adjustment).
- The **Cash Flow Statement** which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties. This also shows whether movements are due to operating activities, new investment or financing activities.
- **Notes to the Core Financial Statements** which give an explanation of key figures within the statements and more detail on the Council's accounting policies and individual transactions.

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

- **Housing Revenue Account (HRA)** – separately identifies income and expenditure in respect of the Council's statutory landlord function as a provider of social housing.
- **Collection Fund Statement** - shows the transactions in relation to the collection and distribution of Council Tax and National Non-domestic Rates ('NNDR').

The statement also contains links to the Council website which gives performance indicators relevant to the Council's performance against its stated Corporate Plan objectives and shows the development against these indicators throughout the year as well as the position at the year end. Performance against these objectives is measured and monitored on a quarterly basis and is reported to Members. Where performance is below target an action plan is developed to bring this back on track. Within indicators specific to finance 98.8% of purchase invoices were paid within 30 days, this is slightly down on last years figure of 99%. The average rate of return on internally managed investment funds was 0.7815% compared to the average 3 month London Interbank Bid Rate (LIBID) of 0.67531%. More details on the Council's performance and risk monitoring are provided in sections 9 and 10. Major differences between 2017/18 and 2018/19 are detailed in section 6. Overall the General Fund net controllable service expenditure of £18.5m in 2017/18 compared to £19.5m in 2018/19, an increase of 5.4%.

2. Pension Fund Liability

Charnwood Borough Council participates in the Local Government Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2019 and this amounted to a **£78m deficit**. This is an increase of **£15m** on the position at 31st March 2018. Although this liability appears in the Council's Balance Sheet it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants in the current year. However, it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants, Council Tax and National Non-Domestic Rates (business rates).

3. Borrowing Facilities and Funding of Capital Expenditure

The Council has sufficient resources, through both the use of reserves and revenue, to fund General Fund capital expenditure without needing to borrow. It is not expected that this position will change in the short term and if the Council were to borrow then it would be able to obtain funds from the Public Works Loans Board (PWLB), which is part of Central Government, at relatively low rates compared to commercial borrowing. There is one old outstanding General Fund loan of £2m which is not due for repayment until 2024.

The HRA has external loans of £79.19m which arose from the change in the Housing Subsidy system in 2012. These are all with the PWLB and are repayable from 2024 to 2062 with fixed annual interest rates. The annual interest is covered by the HRA's rental income. Both the General Fund and HRA work within treasury parameters agreed each year by Council.

4. General Fund Revenue Outturn Summary 2018/19

GENERAL FUND OUTTURN 2018-19	Outturn £000	Original Budget £000	Variance £000
Net Service Expenditure	17,844	18,221	377
Revenue Contributions to Capital (RCCO)	752	0	(752)
Interest Paid	356	240	(116)
Council Tax Support Grant to Parishes	29	29	0
Less: Interest on Balances	(447)	(300)	147
Total Borough Expenditure	18,534	18,190	(344)
Contribution to (from) Reinvestment Reserve	214	0	(214)
Contribution to/(from) Working Balance	48	(1,164)	(1,212)
Contribution to/(from) Working Balance/Collection Fund	(234)	(234)	0
Contribution to/(from) Growth Support Fund	(13)	0	13
Contribution to/(from) Other Revenue Reserves	(51)	(8)	43
Contribution to/(from) Capital Plan Reserve	(451)	0	451
Precept Requirement	18,047	16,784	(1,263)
Revenue Support Grant	745	745	0
NNDR	4,957	4,957	0
Council Tax Receipts	6,502	6,502	0
Loughborough Special Levy	1,194	1,194	0
Collection Fund Surplus/(Deficit)	(234)	(234)	0
New Homes Bonus	3,620	3,620	0
S31 NDR Grants 2017 & 2018 Compensation	1,263	0	1,263
Precept Income	18,047	16,784	1,263
General Fund Reserves	£000	£000	£000
Working Balance 1st April	7,057	7,474	(417)
Transfer from General Fund	28	(1,398)	1,426
Transfer From/(to) Reinvestment Reserve	(214)	(43)	(171)
Balance at 31 March	6,871	6,033	838
Reinvestment Reserve 1st April	595	457	138
Transfers from General Fund	214	0	214
Balance at 31 March	809	457	352
Capital Plan Reserve 1st April	2,644	1,790	854
Funding of Capital Expenditure	(451)	(563)	112
Balance at 31 March	2,193	1,227	966
Growth Support Fund 1st April	114	96	18
Funding of Capital Expenditure	(13)	(96)	83
Balance at 31 March	101	0	101
Other Revenue Reserves 1st April	813	791	22
Transferred from General Fund	(50)	(8)	(42)
Balance at 31 March	763	783	(20)
TOTAL BALANCES	10,737	8,500	2,237

The main purpose of the General Fund Revenue Outturn Summary is to compare the General Fund Actual Outturn figures to the Original Budget set for 2018/19. This provides a summarised position of the Council's balances held. Please note that the table does not form part of the formal Statement of Accounts.

The Council's General Fund, Total Borough Expenditure which relates to all its activities except Housing Revenue Account, was £344K (1.89%) higher than the Original Budget of £18,190K. This was primarily due to:

- Net Service Expenditure is £377K lower than the Original budget, this includes two items totalling £39K to be carried forward for specific pre planned work in 2019-20 and £269K has been transferred to an earmarked reserve for homelessness to be utilised in 2019-20, leaving a net underspend of £69K (0.38% of the Original Budget).

- Revenue Contribution to Capital costs being £752K higher than Budget, these costs relate to planned capital costs approved by Cabinet for major repairs, funded by £451K from Capital Plan reserve, £269K from the Reinvestment Reserve, and £32K from Revenue Budgets.
- Interest on balances is £147K higher than budget, due to the investments in the Property Funds and better returns on investments than had been anticipated in the budget, lower levels of expenditure of Revenue and Capital and larger amounts being available for investment, this is offset by Interest paid £116K higher due to a one off entry fee for the investment in Hermes Property Funds.
- Revenue Reserves Balance at 31st March 2019 are (26%) higher than the Original Budget £2,237k. This being primarily due to Capital Expenditure being lower than the budget set £966K, NDR S31 Grant Compensation 2017-18 £618k and 2018-19 £645K received from Central Government as part of the NDR3 Government return finalised 30th April 2019.

5. Capital Expenditure

For the financial year 2018/19 the Council's capital spending, on an accruals basis, totalled £9,071K compared with a final Capital Plan budget of £10,869K. The net underspend of £1,798K represented 17% of the programme. Budgets on committed schemes worth £1,080K will be carried forward to 2019/20 in order to complete the schemes in that year.

	2018/19 £'000	%
Capital Expenditure	9,071	100
Financed by:-		
Major Repairs Reserve	1,732	19
Revenue Contributions - General Fund	752	8
Revenue Contributions – HRA	3,716	41
Capital Receipts – General Fund	775	9
Capital Receipts – HRA	584	6
Capital Grants and Contributions	1,264	14
Internal Borrowing	248	3
	9,071	100

6. Major Items in the 2018/19 Accounts

There are no major changes to the way the accounts have been compiled in 2018/19. The General Fund Net controllable service expenditure of £19.5m in 2018/19 compared to £18.5m in 2017/18, an increase of 5.4%. Some material differences in the Comprehensive Income and Expenditure Statement between 2017/18 and 2018/19, these being:

- Head of Strategic and Private Sector Housing, net reduction in costs £72K, which relates to Central Government Homelessness grant income being higher than previous year, this will be utilised in 2019-20.
- Head of Customer Experience net cost has increased by £465K, this is primarily due to a net reduction in Housing Rent Allowance Income of £296K, following a change in the claimant's portfolio, and the balance being increases in costs of ICS and Customer Experience Service.
- Head of Waste, Engineering and Open Spaces net cost is £408K higher in 2018/19 than 2017/8 primarily due to a Loss of Recycling Credit Income, offset by an increase in Garden Waste Income.
- Head of Planning & Regeneration net cost is £256K higher in 2018/19 than 2017/18, due to reduced Planning Fee Income and Building Control Income.
- The HRA net cost of service is £601K lower costs in 2018/19, than 2017/18 primarily being due to the impact of the statutory 1% Income reduction £312K and increased costs in Housing Compliance £175K and Housing Needs £100K.

- Purchase of Property Funds in Hermes Property Trust with an initial cost of £2.381m at 26th July 2018. As at 31st March 2019 the Market value of these funds was £2.427m with a gain of £46K. This is in addition to the Property Fund purchased in Lothbury in 2017 and the Market Value of these funds as at 31st March 2019 £2.461m with a gain of £25K in the year. These have been accounted for as a Long Term Investment on the Balance Sheet as Unusable Financial Instrument Reserves. The gains have been charged to Financing and Investments section within the Comprehensive Income & Expenditure Account.
- Overall net gains on revaluation of fixed assets were £5.5m, being £1m higher than in 2017/18. This relates to a desktop revaluation of assets held by the Council at 31st March 2019. The net gain on General Fund assets was £0.7m and the net revaluation gain on HRA assets was £0.3m.
- **The Pension deficit on the Balance Sheet has increased from £62.7m to £77.6m, this is due to an actuarial loss in the pension fund of £14.9m, further details are included in Note 34 below.**

7. Provisions

The provision for backdated appeals regarding NDR has increased by £2.6K from £4.1m in 2017/18 to 2018/19 £6.7m following a recalculation from this year's rateable value appeals list. The Council's share of this provision is £2.7m, and the balance has been accounted for within the preceptors accounts.

8. The Council's Finances

The Council has been able to set a balanced budget for 2018/19 with planned use of reserves and, whilst the Medium Term Financial Strategy (MTFS) to the end of March 2021 anticipates deficits, these could be covered from the Council's reserves. The efficiencies plans will be refreshed to ensure long term financial sustainability as part of the next MTFS. At the time of writing the intentions of the new government regarding local authority funding are not clear, with significant items such as the retention of business rates still under consideration. These will be taken into account, if known, when the next MTFS to 31st March 2022 is prepared in late 2019.

9. Non-Financial Performance

The Council's objectives are set out in the Corporate Plan and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet, Scrutiny committees and officers. The Corporate Plan and associated quarterly performance monitors and annual performance report are available through the Council's website. The following link will take readers to the performance page on the Council's website.

http://www.charnwood.gov.uk/pages/council_performance_indicators

A rigorous and robust annual service delivery and team planning process is in place that includes consultation with service users where appropriate, and which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.

10. Risk

A risk management framework has been established under which strategic risks which may cause the Council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing are identified on an annual basis, are approved as reasonable and complete by Cabinet, and are subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Lower level corporate and operational risks are identified by the annual service delivery planning process and are monitored on an ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.

All Cabinet reports recommending decisions include details of any relevant financial and legal implications, and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.

11. Statement of Authorisation

The Statement of Accounts were authorised for presentation on 31st May 2019 by Simon Jackson, Strategic Director of Corporate Services and S.151 Officer. All financial events up to and including 31st May 2019, have been considered in these accounts.

12. Preparation of Accounts

I would like to thank all staff who have been involved in the preparation of these accounts.

13. Further Information

Further information regarding the accounts may be obtained from:

The Head of Finance and Property Services,
Charnwood Borough Council,
Southfield Road,
Loughborough,
LE11 2TU.

14. Members of the public have a statutory right to inspect the accounts on deposit for audit purposes and the availability of the accounts for inspection is advertised on the Council's web site at www.charnwood.gov.uk and on public notices displayed in the Council Offices, between Monday 3rd June and Friday 12th July 2019.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director of Corporate Services and Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Chief Financial Officer's Responsibilities

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

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2019.

Certified by the S151 Officer:

Simon Jackson
Strategic Director of Corporate Services

24th July 2019

In accordance with 9 of the Accounts and Audit Regulations 2015 No 234 the Statement of Accounts shall be signed and dated by the Chairman of the Audit Committee who presided at the meeting at which approval was given.

Signed by the Chairman of the Audit Committee

24th July 2019

Comprehensive Income and Expenditure Statement

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

Restated Gross Controllable Expenditure	Restated Gross Controllable Income	Restated Net Controllable Costs		Gross Controllable Expenditure	Gross Controllable Income	Net Controllable Costs
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
110	0	110	Housing, Planning Regeneration Director	112	0	112
1,161	(505)	656	Head of Strategic & Private Sector Housing	1,328	(744)	584
0	(191)	(191)	Head of Landlord Services	0	(194)	(194)
2,969	(1,591)	1,378	Head of Planning & Regeneration	2,975	(1,341)	1,634
2,107	(1,520)	587	Head of Regulatory Services	2,187	(1,537)	650
6,347	(3,807)	2,540	Housing, Planning Regeneration Directorate	6,602	(3,816)	2,786
7,906	(2,496)	5,410	Head of Waste, Engineering & Open Spaces	7,888	(2,070)	5,818
282	0	282	Neighbourhoods & Community Wellbeing Director	282	0	282
2,430	(1,761)	669	Head of Leisure Services	2,782	(2,268)	514
1,921	(399)	1,522	Head of Neighbourhood Services	1,942	(350)	1,592
12,539	(4,656)	7,883	Neighbourhoods & Community Wellbeing Directorate	12,894	(4,688)	8,206
110	0	110	Strategic Corporate Services Director	113	0	113
228	0	228	Chief Executive's Team	237	0	237
2,618	(1,208)	1,410	Head of Finance & Property Services	2,680	(1,236)	1,444
35,007	(31,406)	3,601	Head of Customer Experience	34,476	(30,410)	4,066
3,284	(544)	2,740	Head of Strategic Support	3,045	(350)	2,695
41,247	(33,158)	8,089	Corporate Services Directorate	40,551	(31,996)	8,555
60,133	(41,621)	18,512	Total General Fund	60,047	(40,500)	19,547
10,030	(22,407)	(12,377)	Housing Revenue Account	10,319	(22,095)	(11,776)
70,163	(64,028)	6,135	Net controllable Cost of Service	70,366	(62,595)	7,771
		(6,209)	Net Recharges, REFCUS & Capital Charges			(6,348)
		3,075	Parish Precepts			3,547
		778	Contribution to Housing Pooled Capital Receipts			683
		697	(Gains)/Loss on Disposal Fixed Assets			727
		(23)	Capital Receipt not related to Asset Disposal			(33)
		4,527	Other Operating Expenditure			4,924
		3,103	Interest Payable and similar charges (Note 23)			3,100
		1,699	Pensions Interest Costs and Returns on Assets (Note 34)			1,725
		(337)	Interest and Investment Income (Note 23)			(540)
		0	(Gains)/Losses Financial Instruments Revaluation of Property Funds (Note 22)			(72)
		5	Investment Properties Change in Fair Value (Note 11)			(26)
		4,470	Financing and Investment Income and Expenditure			4,187
		(5,240)	General Government Grant (Note 29)			(4,345)
		(276)	Capital Grants & Contributions (Note 29)			(397)
		(4,222)	Non Domestic Rates Distribution (Note 6)			(5,981)
		(10,378)	Council Tax Income (Note 6)			(11,243)
		(65)	Collection Fund (Note 6)			200
		(20,181)	Taxation & Non-Specific Grant Income			(21,766)
		(11,258)	(Surplus)/Deficit on provision of services			(11,232)
		(4,542)	(Gains)/Losses on revaluation of Fixed Assets			(5,525)
		(19)	(Gains)/Losses on revaluation of Property Funds (Note 22)			0
		(4,946)	Actuarial (Gains)/Losses on pension assets/liabilities (Note 34)			10,765
		(9,507)	Other Comprehensive Income & Expenditure			5,240
		(20,765)	Total Comprehensive Income & Expenditure			(5,992)

Balance Sheet as at 31st March 2019

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2018 £'000		Note	31st March 2019 £'000	31st March 2019 £'000
258,525	Council Dwellings	10	271,931	
52,446	Other Land & Buildings	10	56,662	
1,134	Vehicles, Plant & Equipment	10	1,495	
36	Infrastructure Assets	10	32	
3,197	Community Assets	10	3,905	
0	Assets Under Construction	10	1	
808	Surplus Assets Not Held for Sale	10	812	
316,146	Property, Plant and Equipment Total			334,838
239	Heritage Assets	13		279
3,457	Investment Property	11		3,483
4,436	Long Term Investments	14		6,888
225	Intangible Assets	12		192
324,503	Long-Term assets (Sub-total)			345,680
13,000	Short -Term Investments	14		27,000
109	Inventories	15		119
10,682	Short -Term Debtors	16		8,339
(3,416)	Bad Debt Impairments	16		(3,596)
22,158	Cash and Cash Equivalents	17		15,927
42,533	Current Assets (Sub-Total)			47,789
(1,023)	Bank Overdraft	17		(613)
(12,227)	Short-Term Creditors	19		(15,542)
(1,637)	Provisions	20		(2,687)
(14,887)	Current Liabilities (Sub-Total)			(18,842)
(81,190)	Long-Term Borrowing, over 12 Months	14		(81,190)
(62,742)	Defined Benefit Pension Scheme Asset/(Liability)	34		(77,619)
(1,751)	Capital Grants Receipts in Advance	29		(3,359)
(145,683)	Long term Liabilities Total			(162,168)
206,466	Net Assets Total			212,459

Movement in Reserves Statement 2018-19	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
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Balance Sheet as at 31st March 2019

31st March 2018 £'000		Note	31st March 2019 £'000	31st March 2019 £'000
(9,793)	Capital Receipts Reserve	21		(10,384)
(2,633)	HRA Major Repairs Reserve	7		(3,926)
(3,571)	Revenue Reserves	7		(3,057)
(595)	Reinvestment Reserve	7		(809)
(222)	Capital Grants Unapplied	21		(252)
(7,057)	General Fund Balance			(6,871)
(617)	HRA Fund Balance			(613)
(6,982)	HRA Financing Fund	8		(8,060)
(31,470)	Usable Reserves Total			(33,972)
504	Collection Fund Adjustment Account	22		703
(214,779)	Capital Adjustment Account	22		(228,147)
(19)	Financial Instruments Revaluation Reserve	22		(91)
62,742	Pension Reserve (Surplus)/Deficit	22		77,619
(23,715)	Revaluation Reserve	22		(28,825)
271	Accumulated Absences Account	22		254
(174,996)	Unusable Reserves Total			(178,487)
(206,466)	Total Reserves			(212,459)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to the Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance, before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at the beginning of the period (Surplus)/Deficit on provision of Services (accounting basis)	(7,057)	(4,166)	(617)	(9,615)	(9,793)	(222)	(31,470)	(174,996)	(206,466)
Other Comprehensive Income and Expenditure	5,557	0	(16,789)	0	0	0	(11,232)	0	(11,232)
	0	0	0	0	0	0	0	5,240	5,240
Total Comprehensive Income and Expenditure	5,557	0	(16,789)	0	0	0	(11,232)	5,240	(5,993)
Adjustments Primarily involving the Capital Receipts Reserve:									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	1,359	0	1,359		
Cash Proceeds	0	0	0	0	(1,950)	0	(1,950)		
Adjustments Primarily involving the Capital grants Unapplied Account:									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	56	56		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	(94)	(94)		
Transfer to General Fund	0	0	0	0	0	8	8		
Adjustments Primarily involving the Major Repairs Reserve:									
Depreciation credited to MRA Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	(3,025)	0	0	(3,025)		
	0	0	0	1,732	0	0	1,732		
Subtotal	0	0	0	(1,293)	(591)	(30)	(1,914)	1,914	0
Adjustment between Accounting basis and Funding basis under Regulations:									
Pension Fund Reserve	(3,724)	0	(388)	0	0	0	(4,112)		
Financial Instruments	72	0	0	0	0	0	72		
Council Tax	33	0	0	0	0	0	33		
NNDR Business Rates	(231)	0	0	0	0	0	(231)		
Accumulated Absences Account	12	0	5	0	0	0	17		
Capital Adjustment Account									
-Upward Revaluation	520	0	13,261	0	0	0	13,781		
- Downward Revaluation	(735)	0	(189)	0	0	0	(924)		
-Gain/(Loss) on Disposal of Non-Current Assets	(9)	0	(718)	0	0	0	(727)		
-Revenue Expenditure Funded from Capital	(1,027)	0	0	0	0	0	(1,027)		
- Depreciation	(1,349)	0	0	0	0	0	(1,349)		
Capital Expenditure charged against General Fund and HRA balances	753	0	3,716	0	0	0	4,469		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	94	0	0	0	0	0	94		
Application of Grants to Capital Adjustment Account	1,171	0	27	0	0	0	1,198		
Capital Receipts Reserve	(650)	0	0	0	0	0	(650)		
Sub Total Adjustments between accounting basis and funding basis under regulations	(5,070)	0	15,714	0	0	0	10,644	(10,644)	0
Net (Increase)/Decrease before transfers to earmarked reserves	487	0	(1,075)	(1,293)	(591)	(30)	(2,502)	(3,491)	(5,993)
Transfers to/(from) earmarked reserves	(300)	300	1,079	(1,078)	0	0	0	0	0
Sub Total (increase)/decrease in the year	186	300	4	(2,371)	(591)	(30)	(2,502)	(3,491)	(5,993)
Balance at the end of the period	(6,871)	(3,866)	(613)	(11,986)	(10,384)	(252)	(33,972)	(178,487)	(212,459)

Movement in Reserves Statement 2017-18	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at the beginning of the period	(7,655)	(4,939)	(621)	(7,430)	(8,291)	(184)	(29,120)	(156,581)	(185,701)
(Surplus)/Deficit on provision of Services (accounting basis)	2,338	0	(13,596)	0	0	0	(11,258)	0	(11,258)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(9,507)	(9,507)
Total Comprehensive Income and Expenditure	2,338	0	(13,596)	0	0	0	(11,258)	(9,507)	(20,765)
Adjustments Primarily involving the Capital Receipts Reserve:									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	140	0	140		
Cash Proceeds	0	0	0	0	(1,642)	0	(1,642)		
Adjustments Primarily involving the Capital grants Unapplied Account:									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	20	20		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	(58)	(58)		
Adjustments Primarily involving the Major Repairs Reserve:									
Depreciation credited to MRA	0	0	0	(2,969)	0	0	(2,969)		
Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	3,736	0	0	3,736		
Subtotal	0	0	0	767	(1,502)	(38)	(773)	773	0
Adjustment between Accounting basis and Funding basis under Regulations:									
Pension Fund Reserve	(2,379)	0	(495)	0	0	0	(2,874)		
Council Tax	66	0	0	0	0	0	66		
Accumulated Absences Account	(5)	0	(1)	0	0	0	(6)		
NNDR Business Rates	147	0	0	0	0	0	147		
HRA and GF for revaluations	(63)	0	63	0	0	0	0		
Capital Adjustment Account -Upward Revaluation	2,763	0	9,645	0	0	0	12,408		
- Downward Revaluation	(547)	0	(48)	0	0	0	(595)		
-Gain/(Loss) on Disposal of Non-Current Assets	445	0	(1,142)	0	0	0	(697)		
-Revenue Expenditure Funded from Capital	(2,343)	0	0	0	0	0	(2,343)		
- Depreciation	(1,571)	0	0	0	0	0	(1,571)		
Capital Expenditure charged against General Fund and HRA balances	1,007	0	2,581	0	0	0	3,588		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	58	0	0	0	0	0	58		
Application of Grants to Capital Adjustment Account	2,210	0	45	0	0	0	2,255		
Capital Receipts Reserve	(755)	0	0	0	0	0	(755)		
Sub Total Adjustments between accounting basis and funding basis under regulations	(967)	0	10,648	0	0	0	9,681	(9,681)	0
Net (Increase)/Decrease before transfers to earmarked reserves	1,371	0	(2,948)	767	(1,502)	(38)	(2,350)	(18,415)	(20,765)
Transfers to/(from) earmarked reserves	(773)	773	2,952	(2,952)	0	0	0	0	0
Sub Total (increase)/decrease in the year	598	773	4	(2,185)	(1,502)	(38)	(2,350)	(18,415)	(20,765)
Balance at the end of the period	(7,057)	(4,166)	(617)	(9,615)	(9,793)	(222)	(31,470)	(174,996)	(206,466)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2017/18 £'000		2018/19 £'000
(11,258)	Net (Surplus)/Deficit on the provision of services	(11,232)
	Adjustments for non-cash movements	
7,278	Depreciation, Impairment, Amortisation of Non-current Assets	8,457
(2,874)	Net Charges made for Retirement Benefit	(4,112)
16	Increase/(Decrease) in Inventories	10
1,770	Increase/(Decrease) in Debtors	(2,859)
581	(Increase)/Decrease in Creditors	(1,627)
(3,095)	Carrying Amount of non-current Assets and non-current Assets held for sale	(3,327)
(174)	Other non-cash items charged to the net Surplus or Deficit on Provision of Services	(1,132)
3,502	Adjustments to net Surplus/Deficit for non-cash movements	(4,590)
	Adjustments for items that are Investing or Financing Activities	
4,735	Other Capital Receipts and (Gains)/Loss on Sale non-current Assets	4,057
(3,021)	Net Cash outflows/(inflows) from Operating Activities	(11,765)
3,488	Net Capital Activities	1,595
(6,583)	Net Change in Investments	16,380
(3,095)	Net Cash outflows/(inflows) from Investing Activities (Note 24)	17,975
(371)	Net Cash outflows/(inflows) from Financing Activities (Note 25)	(389)
(6,487)	Net (Increase)/Decrease in Cash and Cash Equivalents	5,821
14,648	Cash and Cash Equivalents at the beginning of the period	21,135
21,135	Cash and Cash Equivalents at the end of the period (Note 17)	15,314
(6,487)	(Increase)/Decrease in Cash and Cash Equivalents	5,821

Accounting Policies

1. General Principles

This Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at 31st March 2019 year end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audits Regulations 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority

Accounting in the United Kingdom 2017/18 (the Code) and the Service Reporting Code of Practice 2018/19, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Debtors and Creditors

The Council's revenue accounts are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to repayments of NNDR which are made on a cash basis in the year that the Council is notified of the necessity to refund and, although the amount is outside of the Council's control, a provision has been established to cover the Council's share of such possible refunds.

Interest on balances

General Fund interest for the year is accrued and accounted for in the accounts in the relevant period to which it relates. Interest is credited to the Housing Revenue Account based on an average rate of interest earned on the Council's investments during the year.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are investments that mature in no more than 3 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow, cash and cash equivalents are shown net of debit amounts with banks that are repayable on demand and form an integral part of the Council's cash management.

4. Provisions and Contingent Liabilities

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits and where a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

5. Employee Benefits

Benefits Payable During Employment - Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, and any bonuses for

current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

6. Retirement Benefits

Most employees of the Council are members of the Local Government Pensions Scheme (the 'Scheme'), administered by Leicestershire County Council, which provides defined benefits to members, earned as employees work for the Council.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, staff turnover etc. and projections of projected earnings for current staff. Liabilities are discounted to their value at current prices, using a discount rate of 2.4% based on the indicative rate of return on high quality corporate bonds as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years, at the IAS 19 valuation date. (The corresponding figure for 2017/18 was 2.7%).

The change in the net pension liability is analysed into seven components:

- Current service cost, which is the increase in liabilities as a result of years of service earned this year and is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for the relevant employees.
- Past service cost, the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment. These costs are part of Non Distributed Costs.
- Interest cost, which is the expected increase in the present value of liabilities during the year and is debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Expected return on assets is the annual investment return on the Scheme's fund based on the average of the expected long-term return and is credited to the Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments which result from actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited, as appropriate, to the Net Cost of Services as part of Non Distributed Costs.
- Actuarial gains and losses change to the net pension liability and arise because events have not coincided with assumptions made at the last actuarial valuation or because those assumptions have been updated and these are debited to the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Scheme as the employer's contributions.

Statutory provisions limit the Council to raising council tax to cover the amounts payable to the Scheme in the year. This results in appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits and replace them with debits for cash paid and payable to the Scheme in the year.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, unless stated otherwise, by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied. Should any material errors be discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

8. Financial Instruments

Financial Liabilities

Financial Liabilities are initially measured at fair value and are carried in the Balance Sheet at their amortised cost, which is based upon the nature of the liability concerned. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus

accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the loan in the agreement.

Gains or losses arising on the repurchase or early settlement of borrowings are debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where, however, the repurchase of borrowing has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value, based upon prevailing benchmark market rates for new borrowing. They are subsequently measured and carried on the Balance Sheet at amortised cost. PWLB loan fair value estimates are based upon new borrowing (certainty rate) discount rates. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the investment's original effective interest rate.

Any gains and losses on de-recognition of an asset are credited or debited directly to the Comprehensive Income and Expenditure Statement.

Available for sale assets are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value in the Balance Sheet. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the surplus or deficit on Revaluation of Available for Sale Financial Assets. Any gains/losses on de-recognition are taken directly to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available For Sale Reserve.

The Council also holds a very small amount of Government stock. This is treated as an Available for Sale asset under the Code. However, these are held at cost in the Balance Sheet as the difference between this and their market value is immaterial to the Council as a whole.

The notes to the financial statements, show this information, where relevant, relating to the appropriate class of assets and liabilities.

9. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are

required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

10. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

11. Heritage Assets

The Council owns heritage assets such as civic regalia, statues, paintings and sculptures. Those valued at £10k or more are included on the Balance Sheet as Heritage Assets. The actual assets are situated in Council premises, parks and squares in Loughborough. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets in that heritage items are reported in the Balance Sheet at insurance valuation.

12. Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the latest purchase price. Any Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

13. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Statement. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10K) the Capital Receipts Reserve.

14. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. No finance leases have been identified and currently all the Council's leases are classified as operating leases.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment.

15. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses, if relevant, on non-current assets used by the service, if there are no accumulated gains in the Revaluation Reserve against which they can be written off,
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment or amortisation and therefore these are reversed in the Movement in Reserves Statement on the General Fund Balance.

16. Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

17. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure on routine repairs and maintenance of non-current assets that do not enhance the asset or extend its useful economic life is charged directly to service revenue accounts. The de-minimus level for accounting for property, plant and equipment is £10K.

Measurement

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- Infrastructure assets, community assets and assets under construction are included in the balance sheet at depreciated historical cost.
- Council dwellings have been valued using the 'Beacon valuation' method, whereby a sample of each category of dwelling is valued and then these valuations are applied to all similar dwellings to arrive at a gross valuation. They are valued at fair value, determined using the basis of existing use value for social housing (EUV-SH).
- Land, operational properties and other operational assets are included in the balance sheet at existing use value, market value or depreciated replacement cost.

Non-specialised operational properties are valued at either existing use or market value. Depreciated replacement cost is used for specialised operational properties and market value for investment properties and surplus assets.

Revaluations of non-current assets take place at five yearly intervals, also annual desktop valuations are carried out with any changes to valuations of plus or minus £10K will continue to be adjusted for in the interim period, as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

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

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

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

Impairment

Non-Current Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets under construction.

Depreciation is provided using the straight-line method over either the remaining life of the asset or the following periods:

Buildings (where appropriate – including HRA)	15 - 60	years
Infrastructure	20	years
Plant, vehicles and equipment (excluding computers)	7	years
Computers and software licences	5	years

No item of Property, Plant and Equipment has been identified as having major components whose cost is significant in relation to the total cost of the item; therefore no separate depreciation calculations are required.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged to assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is devalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged to Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Receipts from disposals are part of the gain or loss on disposal line in the Comprehensive Income and Expenditure Statement (i.e. netted off against the carrying value of the assets at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

18. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. Expenditure to be funded from a reserve is charged to the appropriate service revenue account and reflected in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The relevant amount is then transferred back into the General Fund Balance so that there is no net charge to council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained elsewhere in these Accounting Policies.

19. Revenue Expenditure Funded from Capital under Statute

This is expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset for the Council. This is charged as expenditure to the relevant service revenue account in the year. The cost of this expenditure is met from existing capital resources and a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

21. Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

22. Accounting for Council Tax

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

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

23. Accounting for Business Rates

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

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

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

Notes to the Financial Statements

Note 1 Accounting Standards Issued, Not Adopted

There have been no substantial changes to the Council's accounting policies in 2018/19 and, whilst there have been some changes to International Financial Reporting Standards (IFRS), these have either been incorporated in the Financial Statements or they do not apply to the Council.

Note 2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are the high degree of uncertainty about future levels of funding for local government and changes to National Non-Domestic Rates processes, reliefs and rules. Additionally the financial impact of the decision for Britain to leave the European Union remains unclear as negotiations are still underway. However, the Council has determined that these uncertainties are not yet sufficient to provide an indication that the assets of the Council might be materially impaired as a result of a need to close facilities and/or reduce levels of service provision.

Note 3 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, we do not consider that the actual results will be materially different from the assumptions and estimates. Major estimates are pensions, depreciation and provisions in respect of NNDR which are identified in notes 4, 6 and 17 to the Accounting Policies.

Note 4 Exceptional Items of Income and Expenditure

There are no Exceptional Items for 2018/19.

Note 5 Events after the Balance Sheet Date

The Statement of Accounts was authorised for presentation by the S151 Officer on 31st May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6 Expenditure and Income Analysed by Nature

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

2017/18 £'000		2018/19 £'000
	Expenditure	
18,538	Employee Benefits Expenses	19,059
53,968	Other Services Expenses	52,336
16,332	Support Service Recharges	18,617
(7,273)	Depreciation, Amortisation, Impairments	(8,457)
3,103	Interest Payments	3,100
1,699	Net Pension Interest	1,725
3,075	Parish Precepts	3,547
778	Payment to Housing Capital Receipts Pool	683
(23)	Capital Receipts Not Related to Asset Disposal	(33)
697	Gain on the Disposal of Assets	727
90,894	Total Expenditure	91,304
	Income	
(66,066)	Fees, Charges and Other Income	(63,500)
(15,568)	Recharge Income	(16,659)
(337)	Interest and Investment Income	(540)
0	(Gains)/Losses on Revaluation of Property Funds	(72)
(14,665)	Income from Council Tax and Non Domestic Rates	(17,023)
(5,240)	Government Grants and Contributions	(4,345)
(276)	Capital Grants	(397)
(102,152)	Total Income	(102,536)
(11,258)	(Surplus) or Deficit on the Provision of Services	(11,232)

Note 7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts transferred out from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

	Balance at 31st March 2018 £'000	Transfers Out £'000	Transfers in £'000	Balance at 31st March 2019 £'000
Revenue Reserves				
Reinvestment Reserve	(595)	455	(669)	(809)
Growth Support Fund	(114)	13	0	(101)
Capital Plan Reserve	(2,644)	451	0	(2,193)
Other Reserves	(813)	50	0	(763)
Total General Fund	(4,166)	969	(669)	(3,866)
HRA Financing Fund	(6,982)	0	(1,078)	(8,060)
HRA Major Repairs Reserve	(2,633)	1,732	(3,025)	(3,926)

Reinvestment Reserve

The purpose of this reserve is to fund items that produce a payback to the Council, to fund costs that lead to appreciable service improvements and to fund one off costs. Transfers to and from the Reinvestment Reserve are detailed below:

2017/18			2018/19	
£'000	£'000		£'000	£'000
	(777)	Balance at 1st April		(595)
20		Redundancy and Compensation Payments	0	
1		Feasibility of Creating Small Industrial Units at Messenger Close Loughborough	0	
34		Online Customer Experience Project	0	
20		Garden Waste Service	0	
55		Our Space Programme	0	
50		Limehurst Depot – Development Options	0	
0		Member Grant Scheme	47	
0		Digital Programme Investment Plan – Document Management	14	
0		Our Space Programme – Decommissioning costs Limehurst Depot	5	
0		Property Fund Investment	120	
2		Capital Allocation – Online Customer Experience Project	0	
0		Capital Allocation – Digital Democracy	60	
0		Capital Allocation – Wireless Connectivity	25	
0		Capital Allocation – Future Use of Industrial Land at Messenger Close Loughborough	184	
	182	Total Expenditure in the Year		455
	0	Transfer from the General Fund		(669)
	(595)	Balance at 31st March		(809)

Note 8 Other Income and Expenditure

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

Loughborough Special Expenses

Loughborough Special Expenses is the town precept comparable to parish precepts. These costs are included within specific service lines in the Comprehensive Income and Expenditure Statement.

There was a credit balance of £19K in 2017/18. However, a credit of £149K was adjusted in the setting of the special expenses levy for 2019/20, leaving a debit balance of £130K to be adjusted for in future years. The 2018/19 credit balance of £1K will be adjusted in the setting of the special expenses levy for 2020/21.

Budget 2017/18 £'000	Actuals 2017/18 £'000	Credit Balance 2017/18 £'000		Budget 2018/19 £'000	Actuals 2018/19 £'000	Credit Balance 2018/19 £'000
1,364	1,345	19	Total Levy	1,351	1,350	1
0	0	0	Adjustments from Year 2016/17	(130)	(130)	0
(135)	(135)	0	Adjustments from Year 2015/16	0	0	0
(45)	(45)	0	Council Tax Support Grant	(27)	(27)	0
1,184	1,165	19	Amended Total Levy	1,194	1,193	1

Building Control Account

The Building (Local Council Charges) Regulations 2010 (SI 2010/404) requires the disclosure of information regarding the setting of charges for the administration of the building control function. However the Building Control Unit cannot charge for building work solely required for disabled persons. The overriding objective is to ensure the chargeable account recovers costs for chargeable functions.

2017/18 £'000		2018/19 £'000
	Chargeable Work	
293	Expenditure	283
(176)	Income	(191)
117	(Surplus)/Deficit	92
	Non-Chargeable Work	
265	Expenditure	198
(102)	Income	(27)
163	(Surplus)/Deficit	171

Note 9 Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure chargeable to the General Fund and HRA balances to arrive at the amount in the Comprehensive Income and Expenditure statement.

Adjustments for Capital Purpose	Net Change for Pension Adjustments	Other Differences	Total Adjustments Adjustment between Funding & Accounting Basis		Adjustments for Capital Purpose	Net Change for Pension Adjustments	Other Differences	Total Adjustments Adjustment between Funding & Accounting Basis
2017/18	2017/18	2017/18	2017/18		2018/19	2018/19	2018/19	2018/19
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
0	60	14	74	Head of Strategic & Private Sector Housing	2	43	7	52
0	0	0	0	Head of Landlord Services	0	(7)	0	(7)
21	98	3	122	Head of Planning & Regeneration	21	80	6	107
43	50	(287)	(194)	Head of Regulatory Services	49	40	(2)	87
64	208	(270)	2	Housing, Planning Regeneration Directorate	72	156	11	239
133	305	(39)	399	Head of Waste, Engineering & Open Spaces	152	230	19	401
(1,097)	(3)	(61)	(1,161)	Head of Leisure Services	498	49	(1)	546
12	87	13	112	Head of Neighbourhood Services	13	67	21	101
(952)	389	(87)	(650)	Neighbourhoods & Community Wellbeing Directorate	663	346	39	1,048
91	(79)	(160)	(148)	Head of Finance & Property Services	664	1,371	64	2,099
147	51	(163)	35	Head of Customer Experience	159	39	(2)	196
5	110	(17)	98	Head of Strategic Support	6	88	(1)	93
243	82	(340)	(15)	Corporate Services Directorate	829	1,498	61	2,388
(645)	679	(697)	(663)	General Fund Total	1,564	2,000	111	3,675
(9,597)	496	(3,346)	(12,447)	Housing Revenue Account	(13,072)	387	(3,723)	(16,408)
(10,242)	1,175	(4,043)	(13,110)	Net Cost of Service	(11,508)	2,387	(3,612)	(12,733)
				Other Income and Expenditure from Funding Analysis				
		778	778	Contribution to Housing Pooled Capital Receipts			683	683
		697	697	(Gains)/Loss on Disposal Fixed Assets			727	727
		1,699	1,699	Net Pensions Interest and Costs			1,725	1,725
		0	0	(Gains)/Loss on Property Fund			(72)	(72)
		(276)	(276)	Capital Grants and Contributions			121	121
		(169)	(169)	Non Domestic Rates Distribution			231	231
		(65)	(65)	Collection Fund			(33)	(33)
(10,242)	1,175	(1,379)	(10,446)	Adjustments between Funding & Accounting Basis General Fund/HRA Surplus and Comprehensive Income & Expenditure	(11,508)	2,387	(230)	(9,351)
			(812)	Net Expenditure Chargeable to General Fund & HRA Balances				(1,881)
			(11,258)	(Surplus)/Deficit on Comprehensive Income & Expenditure Statement				(11,232)

Note 10 Property, Plant and Equipment

Movements in 2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Plant, Property and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2018	258,531	52,509	5,423	1,461	3,201	809	0	321,934
Additions	6,086	520	668	0	715	0	1	7,990
Revaluation increases/(decreases) recognised in the Revaluation Reserve	499	3,810	0	0	0	360	0	4,669
Revaluation increases/(decreases) recognised in the Provision of Services	10,177	(87)	0	0	0	(355)	0	9,735
Derecognition – disposals	(3,355)	0	(511)	(1,295)	0	0	0	(5,161)
At 31st March 2019	271,938	56,752	5,580	166	3,916	814	1	339,167
Accumulated Depreciation and impairment								
At 1st April 2018	(6)	(63)	(4,289)	(1,425)	(4)	(1)	0	(5,788)
Depreciation charge	(2,965)	(1,002)	(307)	(4)	(7)	(1)	0	(4,286)
Depreciation written out to the Revaluation Reserve	115	727	0	0	0	0	0	842
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,849	248	0	0	0	0	0	3,097
Derecognition – disposals	0	0	511	1,295	0	0	0	1,806
At 31st March 2019	(7)	(90)	(4,085)	(134)	(11)	(2)	0	(4,329)
Net Book Value at 31st March 2019	271,931	56,662	1,495	32	3,905	812	1	334,838
Net Book Value at 31st March 2018	258,525	52,446	1,134	36	3,197	808	0	316,146

Movements in 2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Plant, Property and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2017	248,465	46,598	6,783	1,461	3,189	916	0	307,412
Additions	6,404	425	484	0	12	0	0	7,325
Revaluation increases/(decreases) recognised in the Revaluation Reserve	287	3,752	0	0	0	(73)	0	3,966
Revaluation increases/(decreases) recognised in the Provision of Services	6,547	1,702	0	0	0	(34)	0	8,215
Derecognition – disposals	(3,140)	0	(1,844)	0	0	0	0	(4,984)
Asset Reclassification	(32)	32	0	0	0	0	0	0
At 31st March 2018	258,531	52,509	5,423	1,461	3,201	809	0	321,934
Accumulated Depreciation and impairment								
At 1st April 2017	(39)	(71)	(5,889)	(1,418)	(1)	(1)	0	(7,419)
Depreciation charge	(2,913)	(1,257)	(245)	(7)	(3)	(4)	0	(4,429)
Depreciation written out to the Revaluation Reserve	110	497	0	0	0	4	0	611
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,804	800	0	0	0	0	0	3,604
Derecognition – disposals	0	0	1,845	0	0	0	0	1,845
Asset Reclassification	32	(32)	0	0	0	0	0	0
At 31st March 2018	(6)	(63)	(4,289)	(1,425)	(4)	(1)	0	(5,788)
Net Book Value at 31st March 2018	258,525	52,446	1,134	36	3,197	808	0	316,146
Net Book Value at 31st March 2017	248,426	46,527	894	43	3,188	915	0	299,993

Impairment Losses

The code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other Comprehensive Income and Expenditure Statement.

These disclosures are consolidated in Notes 10 and 12 reconciling movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

Capital Commitments

At 31st March 2019, the Council had entered into a number of contracts and capital commitments for the construction or enhancement of Property, Plant and Equipment, as well as certain capital grants and contributions in 2019/20. Similar commitments at 31st March 2018 were £12,406K with future year's budgets being £14,832K. The current major commitments are:

	31st March 2019 £'000
Shepshed Bull Ring	600
Bedford Square Gateway	780
Community Facilities Grants	203
Car Parks	370
Hallam Fields Community Hall	475
Loughborough University Science and Enterprise Park	350
Outwoods Country Park	204
Leicestershire Superfast Broadband	100
Private Sector Housing and Disabled Facilities Grants	1,658
HRA Decent Homes and Neighbourhoods	9,095
Other Commitments	997
	14,832

Revaluations

There was a full revaluation of the Council's Operational and Non-Operational non housing stock (Land and Property), on 1st April 2014. The valuation report was prepared by G S C Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head and Eve LLP, Fairgate House, 78 New Oxford Street, London (the "Valuer"). The valuations were made in accordance with RICS Valuation Standards the Red Book UK Appendix 5 – Valuation of Local Authority Assets. Each land parcel and property has been assessed for the most appropriate method of valuation. The valuation categories used are – open market value, existing use value and depreciated replacement cost. Where the parcel includes a property this has been valued separately. The value of the site is the sum of the land value and the value of the property. Life expired buildings or infrastructure are given a notional value of one pound. The valuation included an inspection of all assets.

The operational Housing Revenue stock comprising dwellings, shops, garages and a store were valued as at 1st April 2014. The valuations were made by the Valuer in accordance with RICS Valuation Standards the Red Book UK Appendix 5 – Valuation of Local Authority Assets. The dwellings were valued using the Beacon approach. This valuation included:

- an inspection of each beacon property for each archetype group
- research on sales of directly comparable property which took place during the financial year.
- information at local level showing house price movements
- regional and national Indices
- a review of the existing asset groups and archetypes

The dwellings, store, shops and garages are valued on an existing use value.

Council HRA dwellings, shops, garages and stores along with the Council's Operational and Non-Operational non-housing stock (land and property) were revalued at the end of March 2019 on a 'desk top' basis by the Valuer to reflect their fair value as at that time.

Note 11 Investment Properties

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

2017/18 £'000		2018/19 £'000
(52)	Rental Income from Investment Property	(62)
1	Direct Operating expenses arising from investment property	0
(51)	Total	(62)

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

2017/18 £'000		2018/19 £'000
3,462	Balance at 1st April	3,457
(5)	Change in Fair Values	26
3,457	Balance at 31st March	3,483

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2019 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2019 £'000
Investment Land	0	2,767	262	3,029
Investment Properties	0	281	172	453
Surplus	0	812	0	812
Total	0	3,860	434	4,294

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

Land, Office, Residential, Industrial and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

Community Buildings, Sports Ground and Centres assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Typical valuation inputs which have been analysed in arriving at our Fair Valuations include:

Market Rental and Sale Values

Yields

Void and Letting Periods

Size

Configuration, proportions and layout

Location, visibility and access

Condition

Lease covenants

Obsolescence

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	As at 31st March 2019	Valuation technique used to measure fair value	Unobservable inputs	Range	Sensitivity
	£'000				
Community Centres	76	Comparative based on limited rental evidence	Rental Value Yields	£10 - £40 psm 10% - 14%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
Sports Ground and Centres	359	Comparative based on limited rental evidence	Rental Value Yields	£5,000 - £15,000/ha 8% - 12%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value

Note 12 Intangible Assets

The Council accounts for its software purchases as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. There is no internally generated software.

All software assets are given a finite useful life of 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £88K was charged to revenue in 2018/19 and is analysed in the following table:

2017/18 £'000	Amortisation Charged to the Comprehensive Income and Expenditure Statement	2018/19 £'000
3	Cultural and Related Services	1
17	Housing Services – HRA	17
0	Housing Services – General Fund	2
91	Absorbed over Service Headings	68
111		88

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

2017/18 £'000		2018/19 £'000
	Balance at 1st April:	
3,006	Gross carrying amounts	3,048
(2,741)	Accumulated Amortisation	(2,823)
265	Net carrying amount at 1st April	225
71	Additions: Purchases	55
(111)	Amortisation for the period	(88)
(29)	Derecognition – disposals	(17)
29	Derecognition – depreciation written out	17
225	Net carrying amount at 31st March	192
3,048	Gross carrying amounts	3,086
(2,823)	Accumulated Amortisation	(2,894)
225		192

Note 13 Heritage Assets

2017/18 £'000		2018/19 £'000
229	Balance at 1st April	239
10	Revaluations	40
239	Balance at 31st March	279

Note 14 Financial Instruments

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

	Long-Term		Short-Term	
	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000
Investments				
Loans and Receivables	4,436	6,888	13,000	27,000
Total Investments	4,436	6,888	13,000	27,000
Debtors				
Loans and Receivables	0	0	3,802	2,083
Total Debtors	0	0	3,802	2,083
Borrowings				
Financial Liabilities at amortised cost	81,190	81,190	0	0
Total Borrowings	81,190	81,190	0	0
Creditors				
Financial Liabilities	0	0	6,867	9,154
Total Creditors	0	0	6,867	9,154

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

Investment held on behalf of Newtown Linford Parish Council	Cost Price £	Nominal Value £
Common Investment Fund - High Yield Units	152	180

Charnwood Borough Council holds an investment on Behalf of Newtown Linford Parish Council. There is no current market value for this investment, the last time it was sold in December 2008, its Value was £1,145. Interest on this investment is received and paid over to Newtown Linford Parish Council.

In addition to the above, the Council holds 10.2% of the Ordinary Shares of the Great Central Railway (1986) plc. These cost £261K and the shares are fully paid-up and there is no further liability to pay any more to the company. The company is operated to re-create the best years of steam locomotives and experience mainline railway operation. The company has a non-profit distribution status and its Memorandum and Articles of Association prohibits any distribution to shareholders. As such the shares have no current value and are shown at Nil as an Unquoted Equity Investment at amortised cost.

The Borrowing of £81.19m outstanding is classified as a 'Financial liability at amortised cost' under the Code and requires a fair value to be disclosed where this is different to the carrying amount stated in the Balance Sheet. £2m of these loans has been attributed a fair value of £3.06m at the date of the Balance Sheet. The reason for the value difference is that this loan is running at a high coupon, set at the original loan date in 1984, and although it carries a LOBO (Lender's Option, Borrower's Option) it is unlikely to be called in by the counterparty before the maturity date in 2024. This would only occur if the prevailing interest rate became consistently above 11.625%. Therefore the risk of replacement is slight. In this event the Council has access to the Public Works Loan Board funds, or could disinvest surplus cash.

The fair value of the remaining £79.19m is £95.7m and these loans were taken out to fund a repayment to the government in order to 'buy out' the Council's participation in the old Housing Subsidy system. All the loans are at fixed rates of interest maturing between 6 and 43 years' time and the loan interest will be serviced from housing rental income. The Council does not currently intend to pay off any of these loans early and they are therefore held at their face value, which is the same basis as in previous years when the fair value was less than the book value.

The fair value of all the loans is determined by calculating the Net Present Value (NPV) of future cash flows which provides an estimate of the value of payments in the future. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender or the new loan rate in respect of the £79.19m of PWLB loans. The discount/new loan rates were evaluated at between 2.82% and 3.53% by Link Asset Services Ltd, the Council's treasury adviser.

These will be the rates applicable in the market on the date of valuation for an instrument of the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same. Total Interest of £2.929m a year is payable in two instalments on the loans each year and is charged directly to the Comprehensive Income and Expenditure Statement.

Financial Liabilities in Creditors are in respect of various trade creditors and accruals which are classified as financial instruments and are shown at cost.

Other Short-Term Investments

Short-term lending is carried in the Balance Sheet at amortised cost at the Balance Sheet date. Therefore the material accrued interest at 31st March 2019 is included in the above value for Balance Sheet purposes. Interest received during the year is credited to the Comprehensive Income and Expenditure Statement. There are no costs associated with these transactions.

As at 31st March 2019, the Council held two loans to other local authorities made initially for two years and classed as fixed term deposits. The fair value of these loans as at the balance sheet date is £4.03m.

Long-Term Investments

The Council holds £2.461m in the Lothbury Property Trust and £2.427m in Hermes Property Funds as at the Balance Sheet date. These are accounted for as a long term investments on the Balance Sheet as a Financial Instrument Reserve and the revaluation gain on the property funds has been accounted for under financing and Investment Income in the Comprehensive Income and Expenditure Statement.

Income, Expense, Gains and Losses on Financial Instruments

	2017/18			2018/19		
	Financial Assets: Loans and Receivables £'000	Financial Liabilities at Amortised Costs £'000	Total £'000	Financial Assets: Loans and Receivables £'000	Financial Liabilities at Amortised Costs £'000	Total £'000
Interest Expense	0	2,929	2,929	0	2,929	2,929
Total Expense in Surplus or Deficit on the Provision of Services	0	2,929	2,929	0	2,929	2,929
Interest Income	(255)	0	(255)	(494)	0	(494)
Total Income in Surplus or Deficit on the Provision of Services	(255)	0	(255)	(494)	0	(494)
Gain on Revaluation	0	0	0	0	0	0
Surplus/deficit arising on revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0
Net (Gain)/Loss for the Year	(255)	2,929	2,674	(494)	2,929	2,435

Note 15 Inventories

31st March 2018 £'000		31st March 2019 £'000
82	Housing Van Stock	83
12	Franking Machines	11
15	Other	25
109		119

Note 16 Short-Term Debtors

31st March 2018 £'000		31st March 2019 £'000
	<u>Amounts falling due in one year:</u>	
590	HM Revenue and Customs	351
1,206	Government Departments	0
973	Housing Rents	1,067
1,536	Reserved Debtors	588
4,709	Sundry Debtors	4,024
410	CBC Net Share of Council Tax Debtors	505
806	Council Tax Preceptors Cash Paid in Advance	1,346
340	CBC Share of NNDR Arrears	407
112	Other	51
10,682		8,339

Most Debtors are considered to be Financial Instruments and are classified as Loans and Receivables. Statutory debts such as Council Tax and National Non-Domestic Rates are not Financial Instruments. Those that are Financial Instruments are measured at amortised cost at Balance Sheet date. In effect that is the initial amount less any repayments or accrued interest. The Council does not routinely charge interest on the debtor accounts and impairment is dealt with as set out below. The impairment of these assets is considered in depth when calculating the provision for doubtful debts and appropriate provision is made which is charged to the Comprehensive Income and Expenditure Statement. There is a general provision for doubtful debts of £3,596K (2017/18 £3,416K).

Bad Debts Impairments

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

2017/18 £'000		2018/19 £'000
(22)	Bed and Breakfast	(34)
(1,994)	Housing Benefits	(1,953)
(112)	General Fund Other	(136)
(1,117)	Housing Rents	(1,257)
(157)	CBC Share of NNDR Bad/Doubtful Debt	(204)
(14)	General Fund Rent	(12)
(3,416)		(3,596)

Note 17 Cash and Cash Equivalents

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

31st March 2018		31st March 2019
£'000		£'000
293	Cash held by the Council	167
21,865	Short-term deposits with approved institutions	15,760
22,158		15,927
(1,023)	Bank Overdraft	(613)
(1,023)		(613)
21,135	Total Cash and Cash Equivalents	15,314

Note 18 Surplus Assets Held for Sale

The authority does not currently hold any Surplus Assets held for Sale.

Note 19 Short-Term Creditors

31st March 2018		31st March 2019
£'000		£'000
579	HM Revenue and Customs	586
6	Government Departments	433
187	Leicestershire County Council	245
519	Housing Rents	567
1,301	Other Sundry Creditors	2,613
5,047	Reserved Creditors	5,974
1,514	Section 106 Developers' Contributions	1,227
183	CBC Share of Overpaid Council Tax	177
271	Accumulated Absences Account	254
371	NNDR - CBC Share Overpayments	0
277	NNDR - Leicestershire County Council	426
1,468	NNDR - Central Government	2,490
475	NNDR - Leicestershire Pool	503
29	NNDR - Combined Fire Authority	47
12,227		15,542

Creditors are regarded as financial instruments for accounting purposes except those in respect of items such as NNDR and payments due to certain government departments. All such items regarded as financial instruments are valued at fair value as at 31st March 2019.

Note 20 Provisions

The Code requires that the accounts clearly differentiate the provisions from the reserves of the Council. Provisions are required for any liabilities of uncertain timing or amounts that have been incurred.

2017/18 £'000		2018/19 £'000
(1,700)	NNDR Provision for Appeals Brought Forward 1st April	(1,637)
63	Changes to NNDR Provision: decrease in Provision NNDR Appeals	(1,050)
(1,637)	Balance at 31st March	(2,687)

Note 21 Usable Reserves

General Fund Balance

Purpose of Reserve: Resources available to meet future running costs for non-housing services. The guideline used by the Council requires a balance to be maintained of at least £2m.

Housing Revenue Account

Purpose of Reserve: Resources available to meet future running costs for council houses. It is recommended that there is at least £110 per council house dwelling within this reserve. The actual dwelling amount at 31st March 2019 was £110.

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement, being:- General Fund Balance, General Fund Earmarked Reserves, HRA Balance, HRA Earmarked Reserves in addition to those Usable Reserves below:-

Usable Capital Receipts Reserve

Purpose of Reserve: proceeds of non-current asset sales available to meet future capital investment.

2017/18 £'000		2018/19 £'000
(8,291)	Balance at 1st April	(9,793)
(1,004)	General Fund amounts receivable	(1,300)
(627)	HRA amounts receivable – 1-4-1 receipts	(650)
(11)	HRA amounts receivable – other	0
140	Amounts applied to finance new capital investments	1,359
(9,793)	Balance at 31st March	(10,384)

Usable Capital Grants and Contributions Reserve

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

2017/18 £'000		2018/19 £'000
(184)	Balance at 1st April	(222)
20	Amounts applied to finance new capital investments	56
(58)	Amounts transferred to/(from) revenue	(86)
(222)	Balance at 31st March	(252)

Note 22 Unusable Reserves

31st March 2018 £'000		31st March 2019 £'000
504	Collection Fund Adjustment Account	703
(214,779)	Capital Adjustment Account	(228,147)
(19)	Financial Instrument Revaluation Reserve	(91)
62,742	Pension Reserve Deficit	73,683
(23,715)	Revaluation Reserve	(28,825)
271	Accumulated Absences Account	254
(174,996)		(182,423)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £'000		2018/19 £'000	2018/19 £'000
(19,497)	Balance at 1st April		(23,715)
(6,100)	Upward Revaluation of Assets	(6,766)	
1,513	Downward Revaluation of Assets and Impairment	1,213	
(4,587)	Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(5,553)
45	Adjusting amounts written to the Capital Adjustment Account	28	
324	Difference between Fair Value Depreciation and Historical Cost Depreciation	415	
369	Amount written off to the Capital Adjustment Account		443
(23,715)	Balance at 31st March		(28,825)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

31st March 2018 £'000		31st March 2019	
		£'000	£'000
(202,880)	Balance at 1st April		(214,779)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(7,916)	Charges for Depreciation and Impairment on Non-current Assets	(9,412)	
527	Revaluation losses on Property, Plant and Equipment	866	
111	Amortisation of Intangible assets	88	
2,343	Revenue Expenditure Funded from Capital under Statute	1,027	
	Amounts of Non-current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,327	(4,104)
(1,840)			
(324)	Adjusting amounts written out of the Revaluation Reserve		(415)
(205,044)	Net written out amount of the cost of Non-current Assets consumed in the year		(219,298)
	Capital financing applied in the year:		
(141)	Use of Capital Receipts to finance new capital expenditure	(1,359)	
(3,736)	Use of Major Repairs Reserve to finance new capital expenditure	(1,732)	
(2,255)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,207)	
(20)	Application of grants to capital financing from the Capital Grants Unapplied Account	(56)	
(3,588)	Capital expenditure charged against the General Fund and HRA balances	(4,469)	
(9,740)			(8,823)
5	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(26)
(214,779)	Balance at 31st March		(228,147)

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £'000		2018/19 £'000
64,814	Balance at 1st April	62,742
(4,946)	Actuarial (gains) or losses on pension assets and liabilities	8,298
6,198	Reversal of items relating to retirement benefits to the Comprehensive Income and Expenditure Statement	6,217
(3,324)	Employers Pension Contributions in the year	(3,574)
62,742	Balance at 31st March	73,683

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and proportionate shares of business rates in the Comprehensive Income and Expenditure Statement as it falls due, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Purpose of Reserve: A separate fund is maintained by billing authorities for the collection and distribution of amounts due in respect of Council Tax and NNDR of which, in-year surpluses and deficits are due to/from precepting authorities in future years. This shows the amount owed (to)/from the Council towards the current Collection Fund balance and Notes to the Collection Fund Statement.

31st March 2018 £'000		31st March 2019 £'000
717	Balance at 1st April	504
	Amounts credited to the Comprehensive Income and Expenditure Statement are different from council tax income calculated for the year in accordance with statutory requirements:	
(66)	Council Tax	(33)
(147)	NDR Business Rates	232
504	Balance at 31st March	703

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and HRA from accruing for compensated absences earned but not taken in the year, i.e., annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund and HRA is neutralised by transfers to or from the Account.

31st March 2018		31st March 2019
£'000		£'000
265	Balance at 1st April	271
	Amounts accrued at the end of the current year	
6	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(17)
271	Balance at 31st March	254

Financial Instruments Revaluation Reserves

Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property Fund investments, these gains are measured at fair value. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and gains are lost disposed of and the gains are realised

31st March 2018		31st March 2019
£'000		£'000
0	Balance at 1st April	(19)
(19)	Upward/downward Revaluation of Property Funds in year	(72)
(19)	Balance at 31st March	(91)

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

2017/18 £'000		2018/19 £'000
(337)	Interest Received	(540)
3,103	Interest Paid	3,100
2,766	Cash (Inflow)/Outflow	2,560

Note 24 Cash Flow Statement – Investing Activities

2017/18 £'000		2018/19 £'000
7,439	Purchase of Property, Plant, Equipment, Investment Property and Intangible Assets	7,284
51	Other payments for investing activities	0
(2,371)	Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(2,658)
(6,583)	Purchase of Short-term and Long-term Investments	16,380
(1,631)	Other Receipts for Investing Activities	(3,031)
3,095	Cash (Inflow)/Outflow	(17,975)

Note 25 Cash Flow Statement – Financing Activities

2017/18 £'000		2018/19 £'000
371	Net Council Tax/NNDR Debtor and Creditors	389
371	Cash (Inflow)/Outflow	389

Note 26 Trading Operations

The Council's trading operations include Loughborough Market, Shepshed Market, Woodgate Chambers and Museum Cafe. Expenditure in 2017/18 included a revaluation gain adjustment of £143K and has been restated to include the Museum Cafe.

Restated 2017/18 £'000		2018/19 £'000
(441)	Income	(441)
257	Expenditure	424
(184)	(Surplus)/Deficit	(17)

Note 27 Members Allowances

The Council paid the following amounts to Members during the year. Members Allowances exclude employer's National Insurance.

2017/18 £'000		2018/19 £'000
349	Salaries/Allowances	362
6	Expenses	6
355		368

Note 28 Officers' Remuneration

Details of the numbers of Council staff, whose remuneration is greater or equal to £50,000 per annum, grouped in rising bands of £5,000. Remuneration for these purposes includes all sums paid to or receivable by an employee, including expenses allowances, loss of office payments, compensation pay and the money value of any other benefits, but excluding employer's normal pension contributions and any special pension contributions payable due to loss of office.

There are no employees within this category who work part time but whose full time annualised salary is £50,000 or above. Only relevant remuneration bands are shown.

Total Number of Employees 2017/18	Remuneration Band	Total Number of Employees 2018/19
4	£50,000 - £54,999	1
6	£55,000 - £59,999	7
2	£60,000 - £64,999	2
3	£75,000 - £79,999	3
1	£115,000 - £119,999	0
0	£120,000 - £124,999	1

Details of Remuneration

The Chief Executive and the Directors are shown below and their remuneration is also included in the previous table for completeness. There are no exit packages relating to senior officers in 2018/19.

Total Remuneration including Pension Contribution 2017/18 £	Post Holder Information (Post Title)	Salary, Fees and Allowances £	Expense Allowances £	Total Remuneration excluding Pension Contribution 2018/19 £	Employers Pension Contribution £	Total Remuneration including Pension Contribution 2018/19 £
153,090	Chief Executive	120,509	0	120,509	36,147	156,656
98,926	Director of Neighbourhoods and Community Wellbeing	79,935	0	79,935	22,829	102,764
98,911	Director of Housing, Planning and Regeneration and Regulatory Services	79,280	0	79,280	22,829	102,109
98,889	Strategic Director of Corporate Services	79,118	0	79,118	22,829	101,947
449,816		358,842	0	358,842	104,634	463,476

Note 29 Grant Income

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

Restated 2017/18 £'000	Credited to Taxation and Non Specific Grant Income	2018/19 £'000
(1,265)	Revenue Support Grant	(745)
(276)	Capital Grants and Contributions	(397)
(4,013)	New Homes Bonus	(3,621)
38	Other Government Grants	21
(5,516)	Total Credited to Taxation and Non Specific Grant Income	(4,742)
	Benefit Grants Credited to Services	
(18,709)	Rent Allowance Subsidy	(18,296)
(10,945)	Rent Rebate Subsidy	(10,316)
(371)	Housing Benefit Administration Subsidy	(343)
	Other Grants Credited to Services	
(10)	DWP Universal Credit	(0)
(66)	Crime and Disorder Partnership	(41)
(288)	Localisation of Council Tax	(266)
(107)	Leicestershire County Council Sports and Active Grant	(108)
0	Armed Forces Covenant Grant	(80)
(2,038)	Capital Grants and Contributions	(904)
(124)	Local Plans	(69)
(81)	Syrian Vulnerable Person Resettlement Scheme	(89)
(191)	Rough Sleepers Grant	(163)
(85)	Homelessness Prevention Fund	(186)
(154)	Other Government Grants	(195)
(33,169)	Total Grants credited to Services	(31,056)

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

31st March 2018	Capital Grants and Contributions - Receipts in Advance	31st March 2019
£'000		£'000
(1,530)	S106 Developers' Contributions	(2,790)
(221)	Other Capital Grants and Contributions	(569)
(1,751)		(3,359)

The Council has a number of revenue grants and contributions that have not yet been recognised as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year-end are as follows:

31st March 2018	Revenue Grants and Contributions - Receipts in Advance	31st March 2019
£'000		£'000
(254)	S106 Developers' Contributions	(253)
(396)	Other Revenue Grants and Contributions	(494)
(650)		(747)

Note 30 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors. The Council's external auditors are Mazars for 2018/19.

2017/18		2018/19
£'000		£'000
55	Fees payable with regard to external audit services carried out by the appointed auditor	42
12	Fees payable for the certification of grant claims and returns for the year	10
3	Fees payable in respect of other services	9
70		61

Note 31 Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments and other grants received in advance are set out in Note 29.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 27. No members of the Council or senior officers undertook any material related party transactions requiring disclosure during 2019/20.

Leicester and Leicestershire Business Rates Pool

Under the Local Government Finance Act 2012 local authorities are able to retain a proportion of the business rates generated in their area and rather than paying certain amounts to central government, they can create a 'pool' locally.

The Council along with Leicester City Council, Leicestershire County Council, Leicestershire Combined Fire Authority and all other Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2013/14, the Leicester and Leicestershire Pool (LLP). The County Council was the lead authority for the LLP. The Pool was based on a "no better, no worse" position, with District Councils paying any levies into the Pool and any safety net payments being made from the Pool.

The LLP partners decided not to continue with the Pool in 2014/15 but it was started again for the 2015/16 financial year and has continued in successive financial years up to 31st March 2019.

For 2019/20 the Council is participating in a 75% Business Rate Retention pilot; in this financial year the pilot rules will therefore apply with locally agreed arrangements between participants.

Other Public Bodies

Local Government Pension Scheme is set out in Note 34.

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

Note 32 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2017/18 £'000		2018/19 £'000
81,572	Opening Capital Financing Requirement	81,572
	Capital Investment	
7,325	Property, Plant and Equipment	7,989
71	Intangible Assets	55
2,343	Revenue Expenditure Funded from Capital under Statute	1,027
	Sources of Finance	
(141)	Capital Receipts	(1,359)
(3,736)	Major Repairs Reserve	(1,732)
(2,276)	Government Grants and other Contributions	(1,263)
	Sums set aside from revenue:	
(3,588)	Direct Revenue Contributions	(4,469)
81,572	Closing Capital Financing Requirement	81,820
	Explanation of movements in year	
0	Increase in underlying need to borrowing (unsupported by government financial assistance)	248
0	Increase/(Decrease) in Capital Financing Requirement	248

Note 33 Termination Benefits

The Council had 3 settlement agreements in 2018/19 incurring liabilities totalling £45K (three employees in 2017/18 £25K). None of these employees were Directors. One was employed in both the HRA and General Fund Contact Centre and two were former employees back dated over 30 years, one a HRA employee within Landlord Services and one within a former Highways Service.

Note 34 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

Charnwood Borough Council participates in a defined benefit scheme administered by Leicestershire County Council in accordance with the Local Government Pension Scheme Regulations 1997, as amended. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is reported in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2017/18 £'000	Local Government Pension Scheme 2018/19 £'000
Current Service cost	4,499	5,962
Financing and Investment Income and Expenditure		
Net Pensions Interest costs and Expected return on scheme assets	1,699	1,725
Total Post Employment Benefit charge to the (Surplus)/ Deficit on the Provision of Services	6,198	7,687
Movement in Reserve Statement		
Reversal of net charges made to the (Surplus)/Deficit for the Provision of Services for post-employment benefits in accordance with the code	(2,874)	(4,112)
Actual amount charged against the General fund balance for pension in the year	3,324	3,575
Actuarial Gains and (Losses) in the year	4,946	(10,765)

There is a £18K Actuarial Loss which is a reconciling item in 2018/19; this is due to Charnwood Borough Council's lower pension contributions in year compared to the Leicestershire County Council's Valuation Report.

Pension Assets and Liabilities Recognised in the Balance Sheet.

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

	2017/18 £'000	2018/19 £'000
Fair Value of Employer Assets	112,658	118,315
Present Value of Funded Liabilities	(174,084)	(194,504)
Net (Under)/Over funding in Funded Plans	(61,426)	(76,189)
Present Value of Unfunded Liabilities	(1,316)	(1,430)
Net Asset/(Liability) in Balance Sheet	(62,742)	(77,619)

Basis for Estimating Assets and Liabilities

The basis for estimating assets and liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Leicestershire County Council's Fund Liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

Charnwood Borough Council participates in the Local Government Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2019 and this amounted to £77,619K. This is an increase of £14,877K on the position at 31st March 2018. Although this liability appears in the Council's Balance Sheet, it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants and Council Tax.

31st March 2018		31st March 2019
% Per Annum	Financial Assumptions:	% Per Annum
2.4%	Rate of Inflation/Pension Increase Rate	2.5%
3.4%	Salary Increase Rate	3.5%
2.7%	Discount Rate	2.4%

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

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

Assets 2017/18 £'000	Obligations 2017/18 £'000	Net(Liability) /Asset 2017/18 £'000		Assets 2018/19 £'000	Obligations 2018/19 £'000	Net(Liability) /Asset 2018/19 £'000
108,695		108,695	Fair Value of employer assets	112,658		112,658
	(172,155)	(172,155)	Present value of funded liabilities		(174,084)	(174,084)
	(1,354)	(1,354)	Present value of unfunded liabilities		(1,316)	(1,316)
108,695	(173,509)	(64,814)	Opening Position as at 31st March	112,658	(175,400)	(62,742)
	(4,498)	(4,498)	Current Service Cost		(4,511)	(4,511)
	(1)	(1)	Past Service Cost (including Curtailments)		(1,451)	(1,451)
0	(4,499)	(4,499)	Total Service Cost	0	(5,962)	(5,962)
2,813		2,813	Interest Income on plan assets	3,031		3,031
	(4,512)	(4,512)	Interest Cost on defined benefit obligation		(4,756)	(4,756)
2,813	(4,512)	(1,699)	Total Net Interest	3,031	(4,756)	(1,725)
2,813	(9,011)	(6,198)	Total Defined Benefit Cost Recognised in Profit or (Loss)	3,031	(10,718)	(7,687)
			<u>Cashflows</u>			
745	(745)	0	Plan Participants Contributions	772	(772)	0
3,225		3,225	Employers Contributions	3,484		3,484
101		101	Contributions in respect of unfunded benefits	108		108
(4,863)	4,863	0	Benefits paid	(4,865)	4,865	0
(101)	101	0	Unfunded Benefits Paid	(108)	108	0
(893)	4,219	3,326	Total Cashflows	(609)	4,201	3,592
110,615	(178,301)	(67,686)	Expected Closing Position	115,080	(181,917)	(66,837)
			<u>Remeasurements</u>			
	2,934	2,934	Changes in financial assumptions		(13,845)	(13,845)
	(33)	(33)	Other experience		(172)	(172)
2,043		2,043	Return on assets excluding amounts included in net interest	3,235		3,235
2,043	2,901	4,944	Total Measurements recognised in Other Comprehensive Income	3,235	(14,017)	(10,782)
112,658	(175,400)	(62,742)	Total Expected Closing Position	118,315	(195,934)	(77,619)
112,658		112,658	Fair Value of employer assets	118,315		118,315
	(174,084)	(174,084)	Present value of funded liabilities		(194,504)	(194,504)
	(1,316)	(1,316)	Present value of unfunded liabilities		(1,430)	(1,430)
112,658	(175,400)	(62,742)	Closing Position	118,315	(195,934)	(77,619)

Value of Employers Assets	31st March 2018 £'000	% of Total Assets	31st March 2019 £'000	% of Total Assets
Equity Securities:				
Total Equity Securities	2,734	2%	2,060	2%
Debt Securities:				
UK Government	9,402	8%	10,018	8%
Other	1,029	1%	1,532	1%
Private Equity	4,006	4%	5,456	5%
Real Estate – UK Property	9,897	9%	8,843	7%
Investment Funds and Unit Trusts:				
Equities	53,071	47%	47,520	41%
Bonds	12,932	11%	4,999	4%
Hedge Funds	3,927	4%	10	0%
Commodities	2,639	2%	4,185	4%
Infrastructure	5,329	5%	6,222	5%
Other	3,333	3%	24,076	20%
Derivatives – Foreign Exchange	(328)	0%	(150)	0%
Cash and Cash Equivalents	4,687	4%	3,544	3%
Closing Balance at 31st March	112,658	100%	118,315	100%

Sensitivity Analysis	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
0.5% Decrease in Real Discount Rate	10%	19,352
0.5% Increase in the Salary Increase Rate	1%	2,566
0.5% Increase in the Pension Increase Rate	8%	16,462

The Sensitivity Analysis above has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

Scheme History	2017/18	2016/17	2015/16	2014/15
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	2018/19				
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	118,315	112,658	108,695	91,366	91,844
Present Value of Defined Benefit Obligation	(195,934)	(175,400)	(173,509)	(146,740)	(167,059)
Surplus/(Deficit)	(77,619)	(62,742)	(64,814)	(55,374)	(75,215)

The liabilities show the underlying commitments that the Council has, in the long run, to pay retirement benefits. The total liability of £77,619K has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit of the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employers contributions expected for 2020 will be approximately £3,647K (2018/19 are approximately £3,389K).

Note 35 Trust Fund

The Council administers one trust fund which is excluded from Cash and Cash Equivalents in the Balance Sheet. This Trust Fund is used for the maintenance of the Carillon Tower flood lights and commemorative plaque which is situated in Queens Park, Loughborough. The Carillon Tower underwent a major conservation project in 2018/19, utilising all the balance held within this trust fund.

31st March 2018		31st March 2019
£'000		£'000
(7)	Van Nievelt Legacy – for Carillon Tower	0
(7)		0

Note 36 Contingent Liabilities and Contingent Assets

There are no contingent Liabilities and Contingent Assets items relating to 2019-20 Statement of Accounts.

Note 37 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a number of risks the main ones being:

- Credit Risk – the possibility that other parties may fail to pay the amounts due
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central Finance team, under policies approved by the Council in the annual Treasury Management Strategy Statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as borrowing strategy, investment policy, creditworthiness policy and investment strategy.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's own customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Council has a contract with Link Asset Services Ltd ('LAS') who advise on investment policy and supply credit ratings for use on the day to day management of investments. These criteria are based on such factors as:

- Credit ratings of counter parties, plus
- Credit watches and credit outlooks from credit rating agencies, plus
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings, and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

These ratings will alter throughout the year and various limits are set on the type of investments which can be made. These are based on Specified and Non-Specified investments for local authorities and further inner limits are set and periodically reviewed as between investments of the same type, such as banks with a similar credit rating. Short term investments are typically rated F1 and amounts with each institution, or group, was limited to a maximum of £12m.

Appropriate checks are made on customers for goods and services based on the size and/or length of contract with them. The Council's maximum exposure in relation to its investments in banks and other financial institutions can rise to over £40m during the year and it cannot be assessed generally as the risk of any institution failing to make interest payments and repay the principal sum will be specific to each individual institution. There is always a potential risk of not recovering investments and this applies to all of the Council's deposits, but there was no evidence at 31st March 2019 that this was likely to crystallise.

The Council does allow credit for some types of service and amounts that are due, but not impaired, included as part of sundry debtors are as follows:

31st March 2018		31st March 2019
£'000		£'000
1,085	Less than three months	1,089
52	Three to six months	7
21	Six months to one year	21
7	More than one year	16
1,165		1,133

Liquidity Risk

The Council needs to manage cash flow to have sufficient funds to pay debts when due. This it does by investing surplus cash when available and by arranging investments to cover the expected liability dates. The Council works to a balanced budget in accordance with legislation with a reserve of revenue balances to manage the cash flow. This is continually changing during the year as creditors and debtors accounts mature. The Council always has access to borrowing through the Public Works Loan Board. Council borrowing, if required, is secured on the revenues of the Council. The Council, through its counterparty policy, also seeks to ensure that each counter party is of sufficient size to be able to repay the amounts loaned on the due date.

The Council has investments in Lothbury Property Fund with a value of £2.461m and Hermes £2.427m. Whilst this is intended to be a longer term investment redemption notices are settled quarterly therefore can be recalled on this basis. The Council also has 2 loans to other local authorities with a fair value of £4.03m. There is also another £2m Local Authority short term loan.

Market Risk

The Council is exposed to changes in the interest rate on one of its borrowings. This £2m borrowing is at a high interest rate and it is not anticipated that interest rates will reach this level in the short to medium term, so effectively rendering this rate as fixed. The remainder of the Council's borrowings are at fixed interest rates and do not contain a market risk.

In-house lending is mainly for cash flow purposes and is all for under two years. This lowers risk but prevents the strategic longer term lending which would help to mitigate the variations in interest rates. The interest rates move in cycles and the Council clearly receives lower interest receipts at the bottom of the cycle. This is managed by having a Treasury Strategy in place that forecasts the movements in rates and therefore allows the budget to be informed of the expected interest receipts so that spending plans are not based on unrealistic interest receipt assumptions. Based on the Short Term investments at Balance Sheet date of £13m, a 1% change in interest rate would equate to £130K higher or lower receipt to the Council in revenue.

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

Note 38 Subsidiary Holdings

The Council does not have any subsidiary holdings.

Supplementary Statements and Notes

HRA Income and Expenditure Statement

The Housing Revenue Account reflects a statutory obligation under legislation to account separately for local Council housing provision. The Account is “ring-fenced” and has to be self-financing. The costs of HRA activities, not met by subsidy or other income, are met by the rents payable and deficits on the HRA cannot be made good by the council taxpayer.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account.

2017/18 £'000		Note	2018/19 £'000
	Expenditure		
5,191	Supervision and Management		5,512
5,502	Repairs and Maintenance		5,595
476	Rents, Rates, Taxes and other charges		466
(6,628)	Depreciation/Revaluation increase/Impairment of non-current assets	2	(10,048)
16	Debt management costs		19
330	Movement in the allowance for bad debts (not specified by the Code)		335
4,887	Total Expenditure		1,879
	Income		
(21,038)	Dwellings	1	(20,698)
(372)	Non-dwelling rents		(364)
(714)	Charges for Services and Facilities		(750)
(153)	Contributions towards expenditure		(154)
(130)	Other Income		(157)
(22,407)	Total Income		(22,123)
(17,520)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(20,244)
101	HRA services' share of Corporate and Democratic Core		114
(17,419)	Net Cost for HRA Services		(20,130)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(45)	Capital grants and contributions receivable		(27)
1,142	Loss on disposal of HRA non-current assets		718
(51)	Interest and investment income		(93)
2,777	Interest Payable		2,743
(13,596)	Net Cost/(Income) of HRA Services		(16,789)

Movement on the HRA Statement

2017/18 £'000		2018/19 £'000
(621)	Balance on the HRA at the end of the previous year	(617)
(13,596)	Surplus for the year on the HRA Income and Expenditure Statement	(16,789)
11,143	Adjustments between accounting basis and funding basis under statute	16,102
(2,453)	Net increase before transfers to or from reserves	(687)
2,457	Transfers to reserves	691
4	Decrease in year on the HRA	4
(617)	Balance on the HRA at the end of the current year	(613)

Reconciling Items for the Statement of Movement on the HRA Balance

2017/18 £'000		Note	2018/19 £'000
	Adjustments between accounting basis and funding basis under statute		
2,581	Capital expenditure funded by the HRA		3,716
(1,142)	Loss on sale of HRA non-current assets		(718)
(1)	Accumulated Absences Account		5
45	Reversal of Capital Grants and Contributions		27
9,597	Reversal of Gain on Revaluation		13,072
63	Adjustment to recharges based on impairment of a General Fund Asset		0
11,143			16,102
	Transfers (to) or from reserves		
(495)	HRA share of contributions to/(from) the Pension Reserve	7	(388)
2,952	Transfer to/(from) the Housing Financing Fund	8	1,079
2,457			691

Notes to the Housing Revenue Account

Note 1 Gross Rents

Gross rent due in the year, after allowance is made for empty properties, was £20,698k. The rent loss caused by empty properties was 2.19% for 2018/19 compared with 2.16% in 2017/18. The average rent for 2018/19 on a 52 week basis was £73.11 (2017/18 £73.85).

Rent Arrears

2017/18 £'000		2018/19 £'000
	Arrears at 31st March:	
435	Current Tenants	511
428	Former Tenants	451
3	Garages and Shops	3
866		965
4.47%	Arrears & court costs as % of gross debit	5.05%
95	Court Costs	104
134	Rent Write-off/irrecoverable	195
55	Rechargeable Repairs Write-off/irrecoverable	49

A Provision for Bad Debts has been made in the accounts in accordance with the requirements of the CIPFA Code of Practice. The provision includes an element in respect of rent rebate overpayments. Rent rebates were transferred to the General Fund on 1st April 2004. This provision relates to overpayments made prior to that date which were financed by the HRA. Landlord Services rechargeable repairs relates to a provision for bad debts where damage to HRA property has been recharged to its perpetrators.

Bad Debt Provision

31st March 2018 £'000		31st March 2019 £'000
961	Rent	1,069
66	Overpaid Rent Rebate	66
64	Landlord Services rechargeable repairs	72
26	Leaseholder Charges	50
1,117		1,257

Note 2 Depreciation Charge and Capital Credit

Total Capital Financing Charges of £19k was debited to the HRA in 2018/19 in accordance with the Item 8 determinations for the year, compared with £16k in 2017/18. The Depreciation Charge is analysed below: -

2017/18 £'000		2018/19 £'000
2,913	Depreciation:	
34	Dwellings	2,965
5	Garages and Shops	35
17	Plant, Vehicles and Equipment	8
	Intangibles	17
2,969		3,025
(9,597)	Net Revaluation increase of non-current assets	(13,072)
(6,628)		(10,047)

Note 3 Housing Stock

The Council was responsible for managing 5,571 HRA dwellings as at 31st March 2019. This excludes one shared ownership dwelling, which is shared on a 50% equity basis. The stock was made up as follows: -

Number of Dwellings 31st March 2018		Number of Dwellings 31st March 2019
2,715	Flats/Maisonettes	2,707
2,893	Houses/Bungalows	2,864
5,608		5,571

The change in stock can be summarised as follows:-

Number of Dwellings 31 March 2018		Number of Dwellings 31 March 2019
5,642	Stock at 1st April	5,608
2	Add: New properties, acquisitions and Appropriations	11
0	Less: Conversions	(1)
(36)	Property Sales	(47)
5,608	Stock at 31st March	5,571

On 31st March 2019 there were 9 void properties withheld from letting (10 at 31st March 2018) for major refurbishment. Two HRA properties are being used as community centres on a temporary basis. The figure of 5,571 represents the actual HRA dwelling stock the Council owns.

The dwellings are classified as operational assets within the Housing Revenue Account. In addition there was no movement to the number of non-dwelling assets which were 806 garages, 13 shops and 1 store in 2018/19.

Note 4 Balance Sheet Value of Council's Housing Stock

31st March 2018 £'000		31st March 2019 £'000
258,525	Dwellings	271,931
	Other land and buildings	
3,884	Garages	3,914
1,399	Shops and Store	1,426
263,808	Net carrying amount at 31st March	277,271

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

Vehicles, Plant and Equipment

31st March 2018 £'000		31st March 2019 £'000
14	Balance at 1st April	52
43	Additions: Purchases	0
(5)	Depreciation	(8)
52	Net carrying amount at 31st March	44

Intangibles

31st March 2018 £'000		31st March 2019 £'000
51	Balance at 1st April	52
18	Additions: Purchases	0
(17)	Depreciation	(17)
52	Net carrying amount at 31st March	35

The Existing Use Value – Social Housing on at 1st April 2018 was £258,534k. The vacant possession value of dwellings as at 1st April 2018 was £615,557k. The difference between the vacant possession value and Balance Sheet value of dwellings within the Housing Revenue Account shows the economic cost to government of providing council housing at less than open market rents.

Note 5 Summary Total of Capital Expenditure and Receipts

Housing capital expenditure during the financial year was £6,086K.

Capital expenditure is shown as follows:-

2017/18 £'000		2018/19 £'000
6,466	Capital Expenditure	6,086
	Financed By:	
3,736	Major Repairs Reserve	1,732
45	Other Capital Contributions	54
2,581	Revenue Contributions	3,716
104	HRA Capital Receipts	584
6,466		6,086

Total capital receipts from the sale of HRA assets were £2,633K as follows:-

2017/18 £'000		2018/19 £'000
2,445	Council House Sales	2,661
(47)	Less: Administration costs	(61)
2,398	Net Council House Sales	2,600
11	Miscellaneous Capital Receipts	0
12	Reclaimable Discount from Council House Sales	33
2,421		2,633

Note 6 Major Repairs Reserve

2017/18 £'000		2018/19 £'000
(3,400)	Balance at 1st April	(2,633)
(2,969)	Transfer to Major Repairs Reserve	(3,025)
3,736	Capital Expenditure funded from Major Repairs Reserve	1,732
(2,633)	Balance at 31st March	(3,926)

Note 7 Pension Fund

In accordance with IAS19, Accounting for Retirement Benefits, accounting adjustments have been made in the Housing Revenue Account to report pension liabilities. In 2018/19 this represented an increase of £387k to net cost of service compared to an increase of £495k in 2017/18.

Note 8 HRA Financing Fund

2017/18 £'000		2018/19 £000
(4,030)	Balance as at 1st April	(6,982)
(2,952)	Contribution to Financing Fund	(1,078)
(6,982)	Balance as at 31st March	(8,060)

Collection Fund Statement 2018/19

Business Rates	Council Tax	Total		Note	Business Rates	Council Tax	Total
2017/18	2017/18	2017/18			2018/19	2018/19	2018/19
£'000	£'000	£'000			£'000	£'000	£'000
			Income				
0	(89,274)	(89,274)	Council Tax Receivable	2	0	(96,053)	(96,053)
(44,729)	0	(44,729)	Business Rates Receivable	3	(48,112)	0	(48,112)
(44,729)	(89,274)	(134,003)			(48,112)	(96,053)	(144,165)
			Expenditure				
			Apportionment of Previous Year Surplus/(Deficit)				
(601)	0	(601)	Central Government		(389)	0	(389)
(480)	49	(431)	Charnwood Borough Council		(311)	77	(234)
(108)	301	193	Leicestershire County Council		(70)	474	404
0	49	49	Leicestershire Police and Crime Commissioner		0	76	76
(12)	16	4	Combined Fire Authority		(8)	25	17
(1,201)	415	(786)			(778)	652	(126)
			Precept, Demands and Shares				
22,515	0	22,515	Central Government		22,943	0	22,943
18,012	10,377	28,389	Charnwood Borough Council	4	18,354	11,243	29,597
4,053	63,993	68,046	Leicestershire County Council		4,130	68,997	73,127
0	10,220	10,220	Leicestershire Police and Crime Commissioner		0	11,062	11,062
450	3,430	3,880	Combined Fire Authority		459	3,593	4,052
45,030	88,020	133,050			45,886	94,895	140,781
			Charges to the Collection Fund				
258	353	611	Less Write Offs of Non-Collectable Amounts	7	220	310	530
95	(63)	32	Less Increase/(Decrease) In Bad Debt Provision	6	117	(82)	35
(158)	0	(158)	Less Increase/(Decrease) In Provision For Appeals		2,627	0	2,627
193	0	193	Less Cost of Collection		193	0	193
197	0	197	Less Disregarded Amounts		410	0	410
585	290	875			3,567	228	3,795
(315)	(549)	(864)	(Surplus)/Deficit arising during the year		563	(278)	285
1,951	(441)	1,510	(Surplus)/Deficit brought forward 1st April		1,636	(990)	646
1,636	(990)	646	(Surplus)/Deficit carried forward 31st March	8/9/11	2,199	(1,268)	931

Notes to the Collection Fund Statement

Note 1 General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Council in relation to non-domestic rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the billing Council. The transactions are prescribed by legislation and are prepared on an accruals basis.

The major items contained within the Fund are:

- * Council Tax collected from Borough Residents
- * Business Rates collected from businesses within the Borough
- * Transitional Relief granted to Council Taxpayers
- * Precepts, Demands and Shares on the collection fund paid out to:
 - * Central Government
 - * Charnwood Borough Council
 - * Leicestershire County Council
 - * Leicestershire Police and Crime Commissioner
 - * Leicestershire Combined Fire Authority
- * The cost of collection allowance for Business Rates retained by the Billing Authority
- * Additional items, such as
 - * Write offs of non-collectable amounts
 - * Provision for possible bad and doubtful debts
 - * Provision for appeals on NNDR bills
 - * Other disregarded amounts
- * The deficit or surplus relating to Council Tax. This is then distributed between billing authorities and precepting authorities on the basis of an estimate made on 15th of January in each year.
- * The deficit or surplus relating to Business rates. This is distributed between billing authorities, precepting authorities and central government on the basis of an estimate made during January in each year.

Note 2 Council Tax

The basis of Council Tax is a property valuation. Properties are valued at April 1991 prices and included within eight bands. The standard Council Tax is calculated at Band D and all bands are expressed as a Band D equivalent to ascertain a total tax base for the Council. The 2018/19 base is shown below. Note that there is now a reduced 'Band A' for properties in 'A' that are reduced for those with approved Disabled Adaptations.

Valuation Band	Range of Values	Relationship to Band D	Number of Properties	Band D Equivalent
X	Reductions on Band A Up to and including	5/9	23.75	13.2
A	£40,000	6/9	10,181.75	6,787.8
B	£40,001 - £52,000	7/9	18,217.50	14,169.2
C	£52,001 - £68,000	8/9	16,430.25	14,604.7
D	£68,001 - £88,000	1	9,497.00	9,497.0
E	£88,001 - £120,000	11/9	6,328.00	7,734.2
F	£120,001 - £160,000	13/9	2,993.50	4,323.9
G	£160,001 - £320,000	15/9	1,847.50	3,079.2
H	More than £320,000	18/9	174.50	349.0
	Contributions in lieu			22.1
	Estimated growth in Band D equivalents			480.3
	Total (Tax Base)			61,061.7

The gross tax base, 61,061.7 as per the council tax resolution is adjusted for the Band D equivalent of dwellings receiving Council Tax Support to give an adjusted tax base of 56,371.4. Finally an estimated collection rate of 98.5% for 2018/19 is then applied to the adjusted Band D figure producing a Council Tax Base of 55,525.8 which equates to £1,709.02 for a Band D property. This provides a total requirement of £94.895m.

The actual position is as follows:

2017/18 £'000		2018/19 £'000
101,204	Gross Council Tax due	109,112
(11,930)	Relief, Exemptions and Transitional Relief Granted	(13,059)
89,274	Council Tax	96,053

Note 3 National Non-Domestic Rates (NNDR)

NNDR is organised on a local basis. The Council is responsible for collecting rates due from ratepayers within the Borough and the total amounts billed to business ratepayers are included within the Collection Fund, less the various relief and exemptions granted. This amount is paid, during the year, to the other precepting authorities and to central government based on their proportionate shares. The amounts paid over form part of the financing of the billing and precepting authorities General Fund.

2017/18 £'000		2018/19 £'000
57,812	Gross Non-Domestic Rates due	62,357
(14,020)	Reliefs and Exemptions	(15,146)
937	Transitional Protection Payment due to/(from) the Council	901
44,729	Net Business Rates Receivable	48,112

The Government specifies an amount (49.3p in 2018/19 and 47.9p in 2017/18) and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Rateable Value for the Council's area at 31st March 2019 was £131.85m (31st March 2018 £130.03m)

Note 4 Charnwood Borough Council Tax Precept

2017/18 £'000		2018/19 £'000
16,605	Charnwood Precept	16,784
3,075	Parish Precepts	3,547
431	Collection Fund Deficit/(Surplus)	234
20,111	RSG and NNDR Redistributed Pool	20,565
(9,734)		(9,322)
10,377		11,243

Note 5 Provision for Non-Payment

Council Tax

There is a cumulative provision held as at 31st March 2019 amounting to £1,382K for doubtful debts, including costs. (31st March 2018 £1,581K)

NNDR

There is a cumulative provision held as at 31st March 2019 amounting to £510k for doubtful debts, including costs. (31st March 2018 £393K)

Note 6 Contributions to Provision for Bad and Doubtful Debts

2017/18 £'000		2018/19 £'000
(63)	Council Tax	(82)
95	NNDR	117
32		35

Note 7 Write off of Bad Debts

2017/18 £'000		2018/19 £'000
353	Council Tax	310
258	NNDR	220
611		530

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

There was a Surplus balance on the Collection Fund at 31st March 2019 of £1,268K (Surplus 31st March 2018 £990K). This will be carried forward to 2019/20 and taken into account in the future calculation of charges to be met by Council Taxpayers. Further analysis is provided in Note 10 below.

The net contributions paid out of £652K together with the Surplus brought forward of £990K and an decrease in Bad Debt Provision of £82K - increase the in-year surplus of £848K to a surplus of £1,268K which is carried forward.

Note 9 Council Tax Collection Fund Balance

The Collection Fund is a statutory fund in which the Council records transactions for Council Tax. The balance on the fund has to be taken into account by the major precepting authorities in determining their respective requirements to be raised through Council Tax in future financial years. The surplus on the Collection Fund is apportioned as follows:

	Amounts accounted for in 2019/20 £'000	Amounts to account for in 2020/21 £'000	Total £'000
Leicestershire County Council	775	146	921
Leicestershire Police and Crime Commissioner	124	25	149
Charnwood Borough Council	127	23	150
Combined Fire Authority	40	8	48
Total Surplus	1,066	202	1,268

Note 10 Council Tax Accounting for the Collection Fund Balance

On the basis that surpluses and deficits on the Collection Fund are shared with Leicestershire County Council, Leicestershire Police and Crime Commissioner, Leicestershire Combined Fire Authority and the Borough Council pro-rata to the precepts levied, the Council accounted for the Collection Fund Balance in the 2018/19 accounts as follows:

In the Balance Sheet at 31st March 2019, the Council included an overall Surplus of £1,268K (31st March 2018 Surplus £990K) of which £1,117K relates to Preceptors Share of Surplus (31st March 2018 £872K – Preceptors share of Surplus) in the proportions shown below and the balance of £150K (31st March 2018 - £117K) related to Charnwood Borough Council's share of the Collection Fund Surplus.

2017/18 £'000		2018/19 £'000
719	Leicestershire County Council	921
115	Leicestershire Police and Crime Commissioner	149
38	Leicestershire Combined Fire Authority	48
872		1,118

Note 11 Business Rates (Surplus)/Deficit on the Collection Fund

Shares of non-domestic rating income to major preceptors and billing authorities are paid out of the collection fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. However the transactions presented in the collection fund statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis, i.e. sharing out in full the (surplus) or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered by the authorities in subsequent financial years.

2017/18 £'000		2018/19 £'000
655	Charnwood Borough Council	880
147	Leicestershire County Council	198
16	Leicestershire Combined Fire Authority	22
818	Central Government	1,099
1,636	Deficit/(Surplus) - Balance as at 31st March	2,199

Glossary of Terms

Accounting Period - The period of time covered by the accounts is normally 12 months commencing on 1st April for local authorities.

Accruals - Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Capital Charges - Charges made to service revenue accounts based on the value of the assets they use and comprising depreciation.

Capital Expenditure - Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Financing Costs - The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

Capital Receipt - Income from the sale of capital assets such as council houses, land or other buildings.

Creditors - Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

Current Assets - Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities - Amounts which will become due or could be called upon during the next accounting period.

Debtors - Amounts owed to the Council, which are collectable or outstanding at 31st March.

Depreciation - The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

Fair Value - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

Finance Lease – These are lease payments to acquire an asset, these are classified as assets on the Balance Sheet.

Government Grants - Payments by central government towards local Council expenditure. They may be specific or general.

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

Non-Current Asset - Assets which can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

Operating Lease - A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Precepts - The amount which local authorities cannot charge a council tax directly to the public (for example a County Council) and requires Charnwood Borough Council to collect on its behalf.

Reserves - Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

Revenue Expenditure - Spending on day-to-day items including employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

Revenue Support Grant - The main grant paid by central government to a local Council towards the costs of its services.

Abbreviations used in the accounts:

CIPFA - Chartered Institute of Public Finance and Accountancy	EUV-SH – Existing Use Value for Social Housing
FMS – Financial Management system	HRA - Housing Revenue Account
PWLB – Public Works Loan Board	MRA - Major Repairs Allowance
IFRS – International Financial Reporting Standard	NNDR - National Non-domestic Rates
PSM – Price Sensitivity Measurement	CFR – Capital Financing Requirement
DWP – Department of Works and Pensions	BID – Business Improvement District
MRP - Minimum Revenue Provision	VAT – Value Added Tax

**Draft Independent auditor's report to the members of Charnwood
Borough Council**

To be inserted (3 Pages)