

## AUDIT COMMITTEE – 17TH JULY 2018

### Report of the Head of Finance & Property Services

#### ITEM 06 STATEMENT OF ACCOUNTS 2017/18

##### Purpose of Report

To consider the Council's Statement of Accounts for 2017/18 and approve them for publication.

##### Recommendations

1. That the Statement of Accounts for the year ended 31st March 2018 (attached at Appendix A) be approved and that the Chairman (as Presiding person) be authorised to sign the accounts on behalf of the Audit Committee.
2. That the Letter of Representation, as per Appendix B, be approved for signature by the Chief Financial Officer.

##### Reasons

1 and 2 - To comply with the Accounts and Audit (England) Regulations 2015.

##### Background and Explanation of the Main Features of the Accounts

The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit (England) Regulations 2015 to 'present a true and fair view' of the financial position of the authority.

The Code is based on International Financial Reporting Standards ('IFRS') amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains:

**Narrative Statement** – this sets the scene for the Statement of Accounts, giving the overall economic context, more detailed context relevant to the Council and picking out the main points of note on Revenue and Capital. It also references non-financial performance and risk.

**Statement of Responsibilities** – shows the responsibilities of the Council and Chief Financial Officer for these accounts.

**Expenditure & Funding Analysis** – shows the costs split between those chargeable to the General Fund & HRA and those which are adjustments for accounting purposes (for example depreciation or revaluation adjustments).

**Comprehensive Income & Expenditure Account** – shows the cost of services and how they were financed.

**Balance Sheet** – shows a snapshot of all the Council's assets and liabilities at the year end, both long and short term.

**Movement in Reserves Statement** – shows the movement in reserves during the year between usable and unusable reserves (the latter being held to store revaluation gains or as adjustments per

legislation and/or accounting practice), and the actual change to the reserves after all adjustments.

**Cash Flow Statement** – sets out the flow of cash into and out of the Council.

**Accounting Policies** – technical explanation of main policies and assumptions used in preparing the accounts.

**Notes to the Financial Statements** – these explain in more detail the make-up of the various amounts included in the core statements.

**HRA (Housing Revenue Account) Income & Expenditure Account** this shows income and expenditure regarding Council dwellings.

**Collection Fund** – sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known.

**Auditor's Report** – this is the report of the external auditors, KPMG, on the accounts for the year.

**Annual Governance Statement** – this sets out the Council's Governance procedures and reviews their effectiveness.

### Purpose of the Accounts

The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority's finances.

In addition, in order to ensure that the Council is making the best use of its resources Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated and any queries answered.

Basic questions answered by the accounts could include:

What did the authority's services cost in the year of account?

Where did the money come from?

What were the authority's assets and liabilities at the year-end?

The Statement must comply with the Code so that a common pattern can be established across different authorities and, for this reason, it is essential that authorities define individual costs in line with the Service Reporting Code of Practice. There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts are explained below and a Glossary of Terms is shown on page 73 of the Accounts.

## Main Changes for 2017/18

The accounts reflect the new reporting requirements to the Comprehensive Income and Expenditure Account, including a new Expenditure and Funding Analysis statement.

Major differences between the 2016/17 figures and those for 2017/18 are shown in Note 6 on pages 5 and 6 of the accounts.

## Statement of Responsibilities for the Statement of Accounts, Corporate Governance and the External Audit Report (page 8)

The Statement of Responsibilities on page 8 underlines the responsibility, conferred by law, on the Section 151 officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.

## Expenditure & Funding Analysis, Comprehensive Income & Expenditure Account (pages 9&10)

These core statements show the net cost chargeable against the General Fund and HRA for the year across the services of the Council and how these were financed.

The Expenditure & Funding Analysis on page 9 shows the costs of the authority's operations, net of specific grants and income from fees and charges. This section combines the Housing Revenue Account with the General Fund activities. The Net cost of services chargeable to the General Fund and HRA is £13,036k, this is before statutory accounting entries such as Depreciation, Revaluation gains/losses and Actuarial Pension gains/losses.

The next section provides information on the income and expenditure relating to the council as a whole, i.e. these cannot be allocated to specific services. The following section shows how the Council's net expenditure was financed externally through Council Tax and General Government Grants and displays the net Surplus on Provision of Services of £812k. Any gains and losses are then adjusted underneath this to give a Total Comprehensive Income & Expenditure figure of £21m credit. How this amount affects the council's reserves is then explained in the Movement in Reserves Statement on page 13. There is a net decrease to the General Fund Balance of £598k and HRA £4K for 2017/18.

## Balance Sheet (pages 11 & 12, and corresponding notes on pages 23 to 59)

This statement is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.

### Assets and Liabilities (page 11)

Property, Plant and Equipment – The major movement in the Fixed Assets between the two years was an increase in Council Dwellings of £10m; £6.5m relates to capital expenditure on fixed assets, including the purchase of 2 new properties, £6.5m are revaluation gains offset by de recognition/disposal of Council Dwellings £3m, the sale of 36 properties, on page 63. Other Land and Buildings have increased by £6m which relate to revaluation gains.

Intangible Fixed Assets – this comprises computer software and ancillary costs.

Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.

Current Liabilities – are short term creditors, being amounts due to suppliers within 12 months, provisions are amounts set aside for NDR backdated appeals and bank overdraft.

Long-Term Borrowings, over 12 months – this is the £79.19m borrowed in respect of the HRA plus an existing loan of £2m.

Pensions Liability – the £62.7m is calculated each year based on parameters in accordance with Pension valuation IAS 19 and represents the difference in the scheme's assets compared to its liabilities. This is offset by the Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to eradicate any deficit over a period of 20 years.

### Financing of the Assets less Liabilities (page 12)

The above descriptions dealt with the net assets side of the Balance Sheet and these are all supported by various reserves and balances. This is more complicated in a local authority because there are no shareholder funds, or proprietor's funds, as one would have in a commercial enterprise.

The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.

### Movement in Reserves Statement (page 13)

This shows the movement on the different reserves held by the Council during the financial year. It is analysed between those reserves which are usable by the Council and those which are held for accounting/legislative purposes and are unusable.

Consolidated Cash Flow Statement (page 15, and corresponding notes on page 46)

This statement shows the significant elements of receipts and payments of ash by the authority in dealing with third parties.

Housing Revenue Account (pages 60 to 66)

This 'ring fenced' account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation. The surplus for the year was £2,948k, plus the opening balance of £621k. A total of £2,952k of this was transferred to the HRA Financing Fund, leaving a balance of £617k on the HRA Account.

The HRA Financing Fund is an earmarked reserve fund for future local government changes ring-fenced to the HRA, the Total balance is £9,615k.

Collection Fund (pages 67 to 72)

This is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to Charnwood. The account represents a quasi 'trust' account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors. The Council Tax carry forward surplus at 31st March 2018 is £990k to be re-allocated in future years.

The National Non-Domestic Rates (business rates) are collected on behalf of Leicestershire County Council, Combined Fire Authority, central Government and the Council itself. The government sets various proportions and amounts to be paid to the parties and the Collection Fund then reflects the actual position based on the amounts collected and paid out, provisions for bad and doubtful debts, provisions for potential rating appeals and amounts retained to cover the cost of collection and 'disregarded amounts'. The latter relate to certain discounts made locally. The NNDR carry forward deficit as at 31st March 2018 is £646k and will be re-allocated in future years.

Independent Auditor Report

This report will be explained by the external auditors.

Annual Governance Statement 2017/18

This Statement explains the assurance gathering process and considers the wider arrangements supporting a sound corporate governance framework. A separate report to this Committee will set out considerations in respect of this statement in more detail.

The Chief Executive and the Leader of the Council must sign this statement each year following the audit of the accounts.

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## **STATEMENT OF ACCOUNTS**

**2017/18**

# Statement of Accounts 2017/18

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## **Narrative Statement**

### Economic Environment

During the financial year 2017/18, economic growth remains subdued with a resulting continuance of low interest rates and an impact upon funding received by the Council both directly through business rates and indirectly through the total amount of funding available from Central Government. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017 and bank rate was raised from 0.25% to 0.50% in November 2017. Demographic growth and an increasingly ageing population will also present both challenges and opportunities for the future finances of the Council. The full effects of the vote to leave the European Union are still not yet known, however what is clear is that this remains a time of uncertainty for Local Government and funding from Central Government is likely to continue to reduce for the foreseeable future.

### Council Context

Within the overall economic context, the Council has performed well financially, presenting a balanced budget for 2017/18, 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, this was aided by the introduction of the bin sticker scheme. There was an increase in the Environmental Services Contact costs, partly as a result of the increase in garden waste subscribers. Overall this resulted in no major variances within this service. Within the planning service new government regulations allowed the introduction of a 20% planning fee increase from January 2018. This will have a full year impact in 2018/19.

Legislation brought forward the deadline for the closure of accounts and the team have continued to provide excellent work to ensure this deadline is met for 2017/18 closedown. Timely preparation of the accounts provides the Council with an opportunity to address future challenges at an earlier stage, giving more time for planning and preparation. The Accounts for 2017/18, set out have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, the 'Code', based on International Financial Reporting Standards ('IFRS').

### 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 2017/18.
- How services were paid for.
- The Council's assets and liabilities at the year-end and
- The financial performance of the Council.

For 2017/18 the Council also approved investment in Property Funds in order to access the potentially higher investment returns associated with this type of investment. This gives 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. The investment made during 2017/18 is reflected in the Statement of Accounts, its 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 **Expenditure and Funding Analysis** which shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services.
- 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 2018 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 it is worth noting that 99% of invoices were paid within 30 days against a target of 97% and the average rate of return on internally managed investment funds was 0.5326% compared to the average 3 month London Interbank Bid Rate (LIBID) of 0.2861%. More details on the Council's performance and risk monitoring are provided in sections 9 and 10. Major differences between 2016/17 and 2017/18 are detailed in section 6. Overall the General Fund net cost of service expenditure of £17.446m in 2017/18 compared to £18.394m in 2016/17, a reduction of 5%.

## **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 2018 and this amounted to a £63m deficit. This is a decrease of £2m on the position at 31st March 2017. 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. In addition, the HRA has two 'internal' loans from the General Fund and should it need to borrow for capital expenditure then it would seek further internal loans, using available monies within the General Fund, or borrow from the PWLB. Both the General Fund and HRA work within treasury parameters agreed each year by Council and these currently allow a further £14.81m of external borrowing.

#### 4. General Fund Revenue Outturn Summary 2017/18

<b><u>GENERAL FUND OUTTURN 2017-18</u></b>	<b>Outturn</b>	<b>Original Budget</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net Service Expenditure</b>	<b>16,942</b>	<b>17,288</b>	<b>346</b>
Revenue Contributions to Capital (RCCO)	1,007	0	(1,007)
Interest Paid	325	325	0
Council Tax Support Grant to Parishes	47	47	0
Less: Interest on Balances	(285)	(115)	170
<b>Total Borough Expenditure</b>	<b>18,036</b>	<b>17,545</b>	<b>(491)</b>
Contribution to (from) Reinvestment Reserve	(182)	(10)	172
Contribution to/(from) Working Balance	(167)	(499)	(332)
Contribution to/(from) Working Balance/Collection Fund	(431)	(431)	0
Contribution to/(from) Growth Support Fund	(16)	0	16
Contribution to/(from) Other Revenue Reserves	307	0	(307)
Contribution to/(from) Capital Plan Reserve	(882)	0	882
<b>Precept Requirement</b>	<b>16,665</b>	<b>16,605</b>	<b>(60)</b>
Revenue Support Grant	1,265	1,265	0
NNDR	4,507	4,465	42
Council Tax Receipts	6,118	6,118	0
Loughborough Special Levy	1,184	1,184	0
Collection Fund Surplus/(Deficit)	(431)	(431)	0
New Homes Bonus	4,004	4,004	0
General Government Grants/S31 Grants	18	0	18
<b>Precept Income</b>	<b>16,665</b>	<b>16,605</b>	<b>60</b>
<b><u>General Fund Reserves</u></b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Working Balance 1st April</u></b>	<b>7,655</b>	<b>6,658</b>	<b>997</b>
Transfer from General Fund	(598)	(930)	332
<b>Balance at 31 March</b>	<b>7,057</b>	<b>5,728</b>	<b>1,329</b>
<b><u>Reinvestment Reserve 1st April</u></b>	<b>777</b>	<b>543</b>	<b>234</b>
Transfers From/(to) General Fund	(182)	(10)	(172)
<b>Balance at 31 March</b>	<b>595</b>	<b>533</b>	<b>62</b>
<b><u>Capital Plan Reserve 1st April</u></b>	<b>3,526</b>	<b>2,743</b>	<b>783</b>
Transferred from General Fund	43	0	43
Funding of Capital Expenditure	(925)	(1,914)	989
<b>Balance at 31 March</b>	<b>2,644</b>	<b>829</b>	<b>1,815</b>
<b><u>Growth Support Fund 1st April</u></b>	<b>130</b>	<b>113</b>	<b>17</b>
Transfer From/(to) General Fund	(16)	0	(16)
<b>Balance at 31 March</b>	<b>114</b>	<b>113</b>	<b>1</b>
<b><u>Other Revenue Reserves 1st April</u></b>	<b>506</b>	<b>439</b>	<b>67</b>
Transferred from General Fund	307	0	307
<b>Balance at 31 March</b>	<b>813</b>	<b>439</b>	<b>374</b>
<b>TOTAL BALANCES</b>	<b>11,223</b>	<b>7,642</b>	<b>3,581</b>

The main purpose of the General Fund Revenue Outturn Summary is to compare the General Fund Outturn figures to the budget which was set for 2017/18. This provides an easier indication as to how the Council spent its money during the year. Please note that the table is for information only and 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 £491K (2.8%) higher than the budget of £17,545K. This was primarily due to:

- Net Service expenditure being £346K lower than budget, of which £139k has been requested as a budget carry forward for specific pre planned work in 2018-19 and £80K savings used to fund major repairs budget.
- Revenue Contribution to Capital being £1,007K higher than the budget, which relates to capital costs for major repairs, the funding of £925k from Capital Plan reserve, £80k savings in service expenditure, and the balance of £2k from Reinvestment Reserve.
- Interest on balances is £170K higher than budget, mainly due to better returns on investments than had been anticipated in the budget, lower levels of expenditure for both revenue and capital and larger amounts being available for investment than originally planned.
- Revenue Reserves Balance are (46.8%) higher than the Original Budget. This is mainly due to the opening working reserve balance being higher due to previous years surplus balance and a surplus balance in year, also the Capital Expenditure was lower than the budget set.

## 5. Capital Expenditure

For the financial year 2017/18 the Council's capital spending, on an accruals basis, totalled £9,740K compared with a final Capital Plan budget of £12,104K. The net underspend of £2,364K represented 20% of the programme. Budgets on committed schemes worth £1,537K will be carried forward to 2018/19 in order to complete the schemes in that year.

<b>The 2017/18 Capital Expenditure was financed, on an accruals basis, as follows:</b>	<b>£'000</b>	<b>%</b>
<b>Capital Expenditure</b>	<b>9,740</b>	<b>100</b>
Financed by:		
Major Repairs Reserve	3,736	39
Revenue Contributions - General Fund	1,007	10
Revenue Contributions – HRA	2,581	27
Capital Receipts – General Fund	37	0
Capital Receipts – HRA	104	1
Capital Grants and Contributions	2,275	23
	<b>9,740</b>	<b>100</b>

## 6. Major Items in the 2017/18 Accounts

There are no major changes to the way the accounts have been compiled in 2017/18. There are some material differences in the Comprehensive Income and Expenditure Statement between 2016/17 and 2017/18, these being:

- Head of Strategic and Private Sector Housing net cost is £704k lower in 2017/18 than 2016/17. This is mainly due to government grant funding for rough sleeper expenditure and homelessness prevention and some REFCUS expenditure on housing renewals.
- Head of Leisure Services net cost is £1.559m lower in 2017/18 than 2016/17. This is due to desktop revaluation gains at the Leisure Centre, Town Hall and Public Conveniences, which are reported within the non-controllable costs column.
- Head of Finance and Property Services net cost was £553k higher in 2017/18 than 2016/17. This is due to £400k lower gains on revaluations of fixed assets than in the previous year plus REFCUS spend of £174k towards Fearon Hall costs.

- The contribution to housing pooled capital receipts is £824k lower in 2017/18 than 2016/17 as a result of a combination of lower Council House sales in 2017/18 and retention of additional capital receipts.
- The HRA net cost of service is £47.7m higher in 2017/18; this is largely due to a desktop revaluation gain, as a result of an increase in the market valuation.
- Purchase of Property Funds in Lothbury Property Trust with an initial cost of £2.417m at 1<sup>st</sup> March 2018. As at 31<sup>st</sup> March 2018 the Market value of these funds was £2.436m with a gain of £19K. This has been accounted for as a Long Term Investment on the Balance Sheet and the gain as an Unusable Available for Sale Reserve.
- Overall net gains on revaluation of fixed assets were £4.5m, being £2.5m higher than in 2016/17. This relates to a desktop revaluation of assets held by the Council at 31<sup>st</sup> March 2018. The net gain on General Fund assets was £4.1m and the net revaluation gain on HRA assets was £0.4m.
- The Pension deficit on the Balance Sheet has decreased from £64.8m to £62.7m due to an actuarial gain in the pension fund of £2.1m.

## 7. Provisions

The provision for backdated appeals regarding NDR has decreased by £158K from £4.25m in 2016/17 to 2017/18 £4.092m following a recalculation from this year's rateable value appeals list. The Council's share of this provision is £1.6m, 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 2017/18 with minimal planned use of reserves and, whilst the Medium Term Financial Strategy (MTFS) to the end of March 2021 anticipates deficits, these could easily be covered from the Council's reserves. Additionally efficiencies' plans will be refreshed to ensure long term financial sustainability. 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 31<sup>st</sup> March 2022 is prepared in late 2018.

## 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](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 2018 by Simon Jackson, Director of Corporate Services and S.151 Officer. All financial events up to and including 31st May 2018 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](http://www.charnwood.gov.uk) and on public notices displayed in the Council Offices.

## **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 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 local Council code.

The Chief Financial Officer has:

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

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 2018.

### **Certified by the S151 Officer:**

**Simon Jackson**  
**Director of Corporate Services**

**17<sup>th</sup> July 2018**

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**

**17th July 2018**

## EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to General Fund & HRA Balances	Adjustment between Funding & Accounting Basis	Net Expenditure		Net Expenditure Chargeable to General Fund & HRA Balances	Adjustment between Funding & Accounting	Net Expenditure
2016/17 £'000	2016/17 £'000	2016/17 £'000		2017/18 £'000	2017/18 £'000	2017/18 £'000
1,424	497	1,921	Head of Strategic & Private Sector Housing	1,147	70	1,217
100	(1)	99	Head of Landlord Services	87	4	91
1,707	12	1,719	Head of Planning & Regeneration	1,991	122	2,113
961	8	969	Head of Regulatory Services	1,279	(194)	1,085
4,192	516	4,708	<b>Housing, Planning Regeneration Directorate</b>	4,504	2	4,506
6,435	182	6,617	Head of Waste, Engineering & Open Spaces	6,168	399	6,567
1,037	464	1,501	Head of Leisure Services	1,104	(1,162)	(58)
1,757	33	1,790	Head of Neighbourhood Services	1,785	113	1,898
9,229	679	9,908	<b>Neighbourhoods &amp; Community Wellbeing Directorate</b>	9,057	(650)	8,407
145	(258)	(113)	Head of Finance & Property Services	588	(148)	440
1,566	26	1,592	Head of Customer Experience	1,576	35	1,611
2,315	(16)	2,299	Head of Strategic Support	2,384	98	2,482
4,026	(248)	3,778	<b>Corporate Services Directorate</b>	4,548	(15)	4,533
<b>17,447</b>	<b>947</b>	<b>18,394</b>	<b>General Fund Total</b>	<b>18,109</b>	<b>(663)</b>	<b>17,446</b>
(6,935)	(58,252)	(65,187)	<b>Housing Revenue Account</b>	(5,073)	(12,447)	(17,520)
10,512	(57,305)	(46,793)	<b>Cost of Service</b>	13,036	(13,110)	(74)
<b>2,936</b>	<b>1,547</b>	<b>4,483</b>	<b>Other Operating Expenditure</b>	<b>3,052</b>	<b>1,475</b>	<b>4,527</b>
<b>2,612</b>	<b>1,931</b>	<b>4,543</b>	<b>Financing and Investment Income and Expenditure</b>	<b>2,771</b>	<b>1,699</b>	<b>4,470</b>
<b>(20,558)</b>	<b>(532)</b>	<b>(21,090)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>(19,671)</b>	<b>(510)</b>	<b>(20,181)</b>
<b>(4,498)</b>	<b>(54,359)</b>	<b>(58,857)</b>	<b>(Surplus)/Deficit on Provision of services (Note 9)</b>	<b>(812)</b>	<b>(10,446)</b>	<b>(11,258)</b>
		(2,015)	(Surplus)/Deficit on Revaluation of Fixed Assets			(4,542)
		0	(Gains)/Losses on Available for Sale Financial Instrument Reserve			(19)
		7,875	Actuarial (Gains)/Losses on Pension Assets/Liabilities			(4,946)
		<b>5,860</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(9,507)</b>
		<b>(52,997)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(20,765)</b>

## 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.

Gross Expenditure	Gross Income	Net Expenditure	Net Non-Controllable Costs	Net Cost of Service		Gross Expenditure	Gross Income	Net Expenditure	Net Non-Controllable Costs (see Glossary)	Net Cost of Service
2016/17	2016/17	2016/17	2016/17	2016/17		2017/18	2017/18	2017/18	2017/18	2017/18
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
109	0	109	(109)	0	Housing, Planning Regeneration Director	110	0	110	(110)	0
962	(218)	744	1,177	1,921	Head of Strategic & Private Sector Housing	1,161	(505)	656	561	1,217
0	(179)	(179)	278	99	Head of Landlord Services	0	(191)	(191)	282	91
2,662	(1,559)	1,103	616	1,719	Head of Planning & Regeneration	2,969	(1,591)	1,378	735	2,113
2,043	(1,532)	511	458	969	Head of Regulatory	2,107	(1,520)	587	498	1,085
<b>5,776</b>	<b>(3,488)</b>	<b>2,288</b>	<b>2,420</b>	<b>4,408</b>	<b>Housing, Planning Regeneration Directorate</b>	<b>6,347</b>	<b>(3,807)</b>	<b>2,540</b>	<b>1,966</b>	<b>4,506</b>
8,089	(2,284)	5,805	812	6,617	Head of Waste, Engineering & Open Spaces	7,906	(2,496)	5,410	1,157	6,567
246	0	246	(246)	0	Neighbourhoods & Community Wellbeing Director	282	0	282	(282)	0
2,449	(1,771)	678	823	1,501	Head of Leisure Services	2,430	(1,761)	669	(727)	(58)
1,828	(345)	1,483	307	1,790	Head of Neighbourhood Services	1,921	(399)	1,522	376	1,898
<b>12,612</b>	<b>(4,400)</b>	<b>8,212</b>	<b>1,696</b>	<b>9,908</b>	<b>Neighbourhoods &amp; Community Wellbeing Directorate</b>	<b>12,539</b>	<b>(4,656)</b>	<b>7,883</b>	<b>524</b>	<b>8,407</b>
108	0	108	(108)	0	Corporate Services Director	110	0	110	(110)	0
218	0	218	(218)	0	Chief Executive's Team	228	0	228	(228)	0
2,534	(1,276)	1,258	(1,371)	(113)	Head of Finance & Property Services	2,618	(1,208)	1,410	(970)	440
35,613	(31,966)	3,647	(2,055)	1,592	Head of Customer Experience	35,007	(31,406)	3,601	(1,990)	1,611
3,393	(636)	2,757	(458)	2,299	Head of Strategic Support	3,284	(544)	2,740	(258)	2,482
<b>41,866</b>	<b>(33,878)</b>	<b>7,988</b>	<b>(4,210)</b>	<b>3,778</b>	<b>Corporate Services Directorate</b>	<b>41,247</b>	<b>(33,158)</b>	<b>8,089</b>	<b>(3,556)</b>	<b>4,533</b>
<b>60,254</b>	<b>(41,766)</b>	<b>18,488</b>	<b>(94)</b>	<b>18,394</b>	<b>Total General Fund</b>	<b>60,133</b>	<b>(41,621)</b>	<b>18,512</b>	<b>(1,066)</b>	<b>17,446</b>
9,863	(22,778)	(12,915)	(52,272)	(65,187)	<b>Housing Revenue Account</b>	<b>10,030</b>	<b>(22,407)</b>	<b>(12,377)</b>	<b>(5,143)</b>	<b>(17,520)</b>
<b>70,117</b>	<b>(64,544)</b>	<b>5,573</b>	<b>(52,366)</b>	<b>(46,793)</b>	<b>Cost of Service</b>	<b>70,163</b>	<b>(64,028)</b>	<b>6,135</b>	<b>(6,209)</b>	<b>(74)</b>
				2,936	Parish Precepts					3,075
				1,602	Contribution to Housing Pooled Capital Receipts					778
				(55)	(Gains)/Loss on Disposal Fixed Assets					697
				(0)	Capital Receipt not related to Asset Disposal					(23)
				<b>4,483</b>	<b>Other Operating Expenditure</b>					<b>4,527</b>
				3,020	Interest Payable and similar charges (Note 23)					3,103
				1,931	Net Pensions Interest and Costs (Note 34)					1,699
				(396)	Interest and Investment Income (Note 23)					(337)
				(12)	Investment Properties Change in Fair Value (Note 11)					5
				<b>4,543</b>	<b>Financing and Investment Income and Expenditure</b>					<b>4,470</b>
				(6,502)	General Government Grant (Note 29)					(5,240)
				(178)	Capital Grants & Contributions (Note 29)					(276)
				(4,500)	Non-Domestic Rates Distribution (Note 29)					(4,222)
				(9,836)	Council Tax Income (Note 29)					(10,378)
				(74)	Council Tax Adjustment Account (Note 29)					(65)
				<b>(21,090)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>					<b>(20,181)</b>
				<b>(58,857)</b>	<b>(Surplus)/Deficit on provision of services</b>					<b>(11,258)</b>
				(2,015)	(Gains)/Losses on revaluation of Fixed Assets					(4,542)
				0	(Gains)/Losses on revaluation of Property Funds (Note 22)					(19)
				7,875	Actuarial (Gains)/Losses on pension assets/liabilities (Note 34)					(4,946)
				<b>5,860</b>	<b>Other Comprehensive Income &amp; Expenditure</b>					<b>(9,507)</b>
				<b>(52,997)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>					<b>(20,765)</b>



## Balance Sheet as at 31st March 2018

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 2017 £'000		Note	31st March 2018 £'000	31st March 2018 £'000
248,426	Council Dwellings	10	258,525	
46,527	Other Land & Buildings	10	52,446	
894	Vehicles, Plant & Equipment	10	1,134	
43	Infrastructure Assets	10	36	
3,188	Community Assets	10	3,197	
915	Surplus Assets Not Held for Sale	10	808	
299,993	<b>Property, Plant and Equipment Total</b>			316,146
229	Heritage Assets	13		239
3,462	Investment Property	11		3,457
2,000	Long Term Investments			4,436
265	Intangible Assets	12		225
305,949	<b>Long-Term assets (Sub-total)</b>			324,503
22,000	Short -Term Investments	14		13,000
93	Inventories	15		109
8,800	Short -Term Debtors	16		10,682
(3,183)	Bad Debt Impairments	16		(3,416)
15,437	Cash and Cash Equivalents	17		22,158
43,147	<b>Current Assets (Sub-Total)</b>			42,533
(789)	Bank Overdraft	17		(1,023)
(12,417)	Short-Term Creditors	19		(12,227)
(1,700)	Provisions	20		(1,637)
(14,906)	<b>Current Liabilities (Sub-Total)</b>			(14,887)
(81,190)	Long-Term Borrowing, over 12 Months	14		(81,190)
(64,814)	Defined Benefit Pension Scheme Asset/(Liability)	34		(62,742)
(2,485)	Capital Grants Receipts in Advance	29		(1,751)
(148,489)	<b>Long term Liabilities Total</b>			(145,683)
<b>185,701</b>	<b>Net Assets Total</b>			<b>206,466</b>

## Balance Sheet as at 31st March 2018

31st March 2017 £'000		Note	31st March 2018 £'000	31st March 2018 £'000
(8,291)	Capital Receipts Reserve	21		(9,793)
(3,400)	Major Repairs Reserve	7		(2,633)
(4,162)	Revenue Reserves	7		(3,571)
(777)	Reinvestment Reserve	7		(595)
(184)	Capital Grants Unapplied	21		(222)
(7,655)	General Fund Balance			(7,057)
(621)	HRA Fund Balance			(617)
(4,030)	HRA Financing Fund	8		(6,982)
<b>(29,120)</b>	<b>Usable Reserves Total</b>			<b>(31,470)</b>
717	Collection Fund Adjustment Account	22		504
(202,880)	Capital Adjustment Account	22		(214,779)
0	Available for Sale Financial Instruments Reserve	22		(19)
64,814	Pension Reserve (Surplus)/Deficit	22		62,742
(19,497)	Revaluation Reserve	22		(23,715)
265	Accumulated Absences Account	22		271
<b>(156,581)</b>	<b>Unusable Reserves Total</b>			<b>(174,996)</b>
<b>(185,701)</b>	<b>Total Reserves</b>			<b>(206,466)</b>

## 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 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.

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
<b>Opening Balance at the beginning of the period</b>	(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,338</b>	<b>0</b>	<b>(13,596)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,258)</b>	<b>(9,507)</b>	<b>(20,765)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:</b>									
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)		
<b>Adjustments Primarily involving the Capital grants Unapplied Account:</b>									
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)		
<b>Adjustments Primarily involving the Major Repairs Reserve:</b>									
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		
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>767</b>	<b>(1,502)</b>	<b>(38)</b>	<b>(773)</b>	<b>773</b>	<b>0</b>
<b>Adjustment between Accounting basis and Funding basis under Regulations:</b>									
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)		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(967)</b>	<b>0</b>	<b>10,648</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,681</b>	<b>(9,681)</b>	<b>0</b>
<b>Net (Increase)/Decrease before transfers to earmarked reserves</b>	<b>1,371</b>	<b>0</b>	<b>(2,948)</b>	<b>767</b>	<b>(1,502)</b>	<b>(38)</b>	<b>(2,350)</b>	<b>(18,415)</b>	<b>(20,765)</b>
Transfers to/(from) earmarked reserves	(773)	773	2,952	(2,952)	0	0	0	0	0
<b>Sub Total (increase)/decrease in the year</b>	<b>598</b>	<b>773</b>	<b>4</b>	<b>(2,185)</b>	<b>(1,502)</b>	<b>(38)</b>	<b>(2,350)</b>	<b>(18,415)</b>	<b>(20,765)</b>
<b>Balance at the end of the period</b>	<b>(7,057)</b>	<b>(4,166)</b>	<b>(617)</b>	<b>(9,615)</b>	<b>(9,793)</b>	<b>(222)</b>	<b>(31,470)</b>	<b>(174,996)</b>	<b>(206,466)</b>

<b>Movement in Reserves Statement 2016-17</b>	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	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
<b>Opening Balance at the beginning of the period</b>	<b>(6,658)</b>	<b>(5,529)</b>	<b>(1,158)</b>	<b>(2,803)</b>	<b>(7,138)</b>	<b>(298)</b>	<b>(23,584)</b>	<b>(109,120)</b>	<b>(132,704)</b>
(Surplus)/Deficit on provision of Services (accounting basis)	3,104	0	(61,961)	0	0	0	<b>(58,857)</b>	<b>0</b>	<b>(58,857)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	<b>0</b>	5,860	5,860
<b>Total Comprehensive Income and Expenditure</b>	<b>3,104</b>	<b>0</b>	<b>(61,961)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(58,857)</b>	<b>5,860</b>	<b>(52,997)</b>
<b>Adjustments Primarily involving the Capital Receipts Reserve:</b>									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	786	0	<b>786</b>		
Cash Proceeds	0	0	0	0	(1,939)	0	<b>(1,939)</b>		
<b>Adjustments Primarily involving the Capital grants Unapplied Account:</b>									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	114	<b>114</b>		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	0	<b>0</b>		
<b>Adjustments Primarily involving the Major Repairs Reserve:</b>									
Depreciation credited to MRA	0	0	0	(2,835)	0	0	<b>(2,835)</b>		
Use of the Major Repair Reserve to finance new Capital Expenditure	0	0	0	1,488	0	0	<b>1,488</b>		
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,347)</b>	<b>(1,153)</b>	<b>114</b>	<b>(2,386)</b>	<b>2,386</b>	<b>0</b>
<b>Adjustment between Accounting basis and Funding basis under Regulations:</b>									
Pension Fund Reserve	(1,659)	0	94	0	0	0	<b>(1,565)</b>		
Council Tax	(76)	0	0	0	0	0	<b>(76)</b>		
Accumulated Absences Account	(3)	0	0	0	0	0	<b>(3)</b>		
NNDR Business Rates	429	0	0	0	0	0	<b>429</b>		
HRA and GF for revaluations	(47)	0	47	0	0	0	<b>0</b>		
Capital Adjustment Account -Upward Revaluation	536	0	55,814	0	0	0	<b>56,350</b>		
- Downward Revaluation	(46)	0	0	0	0	0	<b>(46)</b>		
-Gain/(Loss) on Disposal of Non-Current Assets	462	0	(406)	0	0	0	<b>56</b>		
-Revenue Expenditure Funded from Capital	(3,518)	0	0	0	0	0	<b>(3,518)</b>		
- Depreciation	(1,184)	0	0	0	0	0	<b>(1,184)</b>		
Capital Expenditure charged against General Fund and HRA balances	413	0	3,645	0	0	0	<b>4,058</b>		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	<b>0</b>		
Application of Grants to Capital Adjustment Account	2,784	0	24	0	0	0	<b>2,808</b>		
Capital Receipts Reserve	(1,602)	0	0	0	0	0	<b>(1,602)</b>		
<b>Sub Total Adjustments between accounting basis and funding basis under regulations</b>	<b>(3,511)</b>	<b>0</b>	<b>59,218</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,707</b>	<b>(55,707)</b>	<b>0</b>
<b>Net (Increase)/Decrease before transfers to earmarked reserves</b>	<b>(406)</b>	<b>0</b>	<b>(2,743)</b>	<b>(1,347)</b>	<b>(1,153)</b>	<b>114</b>	<b>(5,535)</b>	<b>(47,462)</b>	<b>(52,997)</b>
Transfers to/(from) earmarked reserves	(590)	590	3,280	(3,280)	0	0	<b>0</b>	<b>0</b>	<b>0</b>
Sub Total (increase)/decrease in the year	(996)	590	537	(4,627)	(1,153)	114	<b>(5,535)</b>	<b>(47,462)</b>	<b>(52,997)</b>
<b>Balance at the end of the period</b>	<b>(7,655)</b>	<b>(4,939)</b>	<b>(621)</b>	<b>(7,430)</b>	<b>(8,291)</b>	<b>(184)</b>	<b>(29,120)</b>	<b>(156,581)</b>	<b>(185,701)</b>

## 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.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>(58,857)</b>	<b>Net (Surplus)/Deficit on the provision of services</b>	<b>(11,258)</b>
	<b>Adjustments for non-cash movements</b>	
52,510	Depreciation, Impairment, Amortisation of Non-current Assets	7,278
(1,565)	Net Charges made for Retirement Benefit	(2,874)
(6)	Increase/(Decrease) in Inventories	16
629	Increase/(Decrease) in Debtors	1,770
1,130	(Increase)/Decrease in Creditors	581
(3,486)	Carrying Amount of non-current Assets and non-current Assets held for sale	(3,095)
56	Other non-cash items charged to the net Surplus or Deficit on Provision of Services	(174)
<b>49,268</b>	Adjustments to net Surplus/Deficit for non-cash movements	<b>3,502</b>
	<b>Adjustments for items that are Investing or Financing Activities</b>	
6,349	Other Capital Receipts and (Gains)/Loss on Sale non-current Assets	4,735
<b>(3,240)</b>	<b>Net Cash outflows/(inflows) from Operating Activities</b>	<b>(3,021)</b>
(2,130)	Net Capital Activities	3,488
5,041	Net Change in Investments	(6,583)
<b>2,911</b>	<b>Net Cash outflows/(inflows) from Investing Activities (Note 24)</b>	<b>(3,095)</b>
<b>(1,543)</b>	<b>Net Cash outflows/(inflows) from Financing Activities (Note 25)</b>	<b>(371)</b>
<b>(1,872)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(6,487)</b>
12,776	Cash and Cash Equivalents at the beginning of the period	14,648
14,648	<b>Cash and Cash Equivalents at the end of the period (Note 17)</b>	21,135
<b>(1,872)</b>	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(6,487)</b>

## Accounting Policies

### 1. General Principles

This Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at 31st March 2018 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 2017/18, 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 2.7% 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 2016/17 was 2.6 %).

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 2017/18. 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 does 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 2017/18 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 2017/18.

### **Note 5 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for presentation by the S151 Officer on 31st May 2018. 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 2018, 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:

2016/17 £'000		2017/18 £'000
	<b>Expenditure</b>	
18,060	Employee Benefits Expenses	18,538
55,574	Other Services Expenses	53,968
14,790	Support Service Recharges	16,332
(52,521)	Depreciation, Amortisation, Impairments	(7,273)
3,020	Interest Payments	3,103
1,931	Net Pension Interest	1,699
2,936	Precepts	3,075
1,602	Payment to Housing Capital Receipts Pool	778
0	Capital Receipts Not Related to Asset Disposal	(23)
(55)	Gain on the Disposal of Assets	697
<b>45,337</b>	<b>Total Expenditure</b>	<b>90,894</b>
	<b>Income</b>	
(67,173)	Fees, Charges and Other Income	(66,066)
(15,535)	Recharge Income	(15,568)
(396)	Interest and Investment Income	(337)
(14,410)	Income from Council Tax and Non-Domestic Rates	(14,665)
(6,502)	Government Grants and Contributions	(5,240)
(178)	Capital Grants	(276)
<b>(104,194)</b>	<b>Total Income</b>	<b>(102,152)</b>
<b>(58,857)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(11,258)</b>

## 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 2017/18.

	Balance at 31st March 2017 £'000	Transfers Out £'000	Transfers in £'000	Balance at 31st March 2018 £'000
<b>Revenue Reserves</b>				
Reinvestment Reserve	(777)	182	0	(595)
Growth Support Fund	(130)	16	0	(114)
Capital Plan Reserve	(3,526)	925	(43)	(2,644)
Other Reserves	(506)	0	(307)	(813)
<b>Total General Fund</b>	<b>(4,939)</b>	<b>1,123</b>	<b>(350)</b>	<b>(4,166)</b>
<b>HRA Financing Fund</b>	<b>(4,030)</b>	<b>0</b>	<b>(2,952)</b>	<b>(6,982)</b>
<b>HRA Major Repairs Reserve</b>	<b>(3,400)</b>	<b>3,736</b>	<b>(2,969)</b>	<b>(2,633)</b>

## 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:

2016/17			2017/18	
£'000	£'000		£'000	£'000
	(1,037)	<b>Balance at 1st April</b>		<b>(777)</b>
10		Redundancy and Compensation Payments	20	
5		Feasibility of Creating Small Industrial Units at Messenger Close Loughborough	1	
70		Online Customer Experience Project	34	
0		Garden Waste Service	20	
94		Our Space Programme	55	
4		Environmental Services Contract – Procurement Costs	0	
0		Limehurst Depot – Development Options	50	
16		BID Ballot and Consultation Process	0	
5		Town Hall Restructure – Salary Protection Costs	0	
53		Capital Allocation – Online Customer Experience Project	2	
3		Capital Allocation – Lagan Upgrade	0	
	<b>260</b>	<b>Total Expenditure in the Year</b>		<b>182</b>
	<b>(777)</b>	<b>Balance at 31st March</b>		<b>(595)</b>

## 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 debit balance of £28K in 2016/17. However, a credit of £130K was adjusted in the setting of the special expenses levy for 2018/19, leaving a credit balance of £158K to be adjusted for in future years. The 2017/18 credit balance of £19K will be adjusted in the setting of the special expenses levy for 2019/20.

Loughborough Special Expenses 2016/17 Budget £'000	Loughborough Special Expenses 2016/17 Actuals £'000	2016/17 Debit Balance £'000		Loughborough Special Expenses 2017/18 Budget £'000	Loughborough Special Expenses 2017/18 Actuals £'000	2017/18 Credit Balance £'000
1,167	1,195	28	Total Levy	1,364	1,345	19
86	86	0	Adjustments from Year 2014/15	0	0	0
0	0	0	Adjustments from Year 2015/16	(135)	(135)	0
(13)	(13)	0	Council Tax Freeze	0	0	0
(74)	(74)	0	Grant	(45)	(45)	0
			Council Tax Support			
			Grant			
<b>1,166</b>	<b>1,194</b>	<b>28</b>	<b>Amended Total Levy</b>	<b>1,184</b>	<b>1,165</b>	<b>19</b>

### 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.

2016/17 £'000		2017/18 £'000
	<b>Chargeable Work</b>	
250	Expenditure	293
(187)	Income	(176)
<b>63</b>	<b>(Surplus)/Deficit</b>	<b>117</b>
	<b>Non-Chargeable Work</b>	
166	Expenditure	265
(32)	Income	(102)
<b>134</b>	<b>(Surplus)/Deficit</b>	<b>163</b>



## 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
2016/17	2016/17	2016/17	2016/17		2017/18	2017/18	2017/18	2017/18
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
0	(18)	514	496	Head of Strategic & Private Sector Housing	0	60	14	74
24	(16)	4	12	Head of Planning & Regeneration	21	98	3	122
17	(9)	0	8	Head of Regulatory Services	43	50	(287)	(194)
<b>41</b>	<b>(43)</b>	<b>518</b>	<b>516</b>	<b>Housing, Planning Regeneration Directorate</b>	<b>64</b>	<b>208</b>	<b>(270)</b>	<b>2</b>
156	(60)	86	182	Head of Waste, Engineering & Open Spaces	133	305	(39)	399
477	(13)	0	464	Head of Leisure Services	(1,097)	(3)	(61)	(1,161)
8	(16)	41	33	Head of Neighbourhood Services	12	87	13	112
<b>641</b>	<b>(89)</b>	<b>127</b>	<b>679</b>	<b>Neighbourhoods &amp; Community Wellbeing Directorate</b>	<b>(952)</b>	<b>389</b>	<b>(87)</b>	<b>(650)</b>
(93)	(104)	(61)	(258)	Head of Finance & Property Services	91	(79)	(160)	(148)
150	(16)	(108)	26	Head of Customer Experience	147	51	(163)	35
4	(20)	0	(16)	Head of Strategic Support	5	110	(17)	98
<b>61</b>	<b>(140)</b>	<b>(169)</b>	<b>(248)</b>	<b>Corporate Services Directorate</b>	<b>243</b>	<b>82</b>	<b>(340)</b>	<b>(15)</b>
<b>743</b>	<b>(272)</b>	<b>476</b>	<b>947</b>	<b>General Fund Total</b>	<b>(645)</b>	<b>679</b>	<b>(697)</b>	<b>(663)</b>
<b>(56,098)</b>	<b>(94)</b>	<b>(2,060)</b>	<b>(58,252)</b>	<b>Housing Revenue Account</b>	<b>(9,597)</b>	<b>496</b>	<b>(3,346)</b>	<b>(12,447)</b>
<b>(55,355)</b>	<b>(366)</b>	<b>(1,584)</b>	<b>(57,305)</b>	<b>Net Cost of Service</b>	<b>(10,242)</b>	<b>1,175</b>	<b>(4,043)</b>	<b>(13,110)</b>
				<b>Other Income and Expenditure from Funding Analysis</b>				
		1,602	1,602	Contribution to Housing Pooled Capital Receipts			778	778
		(56)	(56)	(Gains)/Loss on Disposal Fixed Assets			697	697
		1,931	1,931	Net Pensions Interest and Costs			1,699	1,699
		(178)	(178)	Capital Grants and Contributions			(276)	(276)
		(430)	(430)	Non-Domestic Rates Distribution			(169)	(169)
		76	76	Collection Fund			(65)	(65)
<b>(55,355)</b>	<b>(366)</b>	<b>1,361</b>	<b>(54,360)</b>	<b>Difference between General Fund/HRA Surplus and Comprehensive Income and Expenditure</b>	<b>(10,242)</b>	<b>1,175</b>	<b>(1,379)</b>	<b>(10,446)</b>

**Note 10 Property, Plant and Equipment**

<b>Movements in 2017/18</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Plant, Property and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
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
<b>At 31st March 2018</b>	<b>258,531</b>	<b>52,509</b>	<b>5,423</b>	<b>1,461</b>	<b>3,201</b>	<b>809</b>	<b>0</b>	<b>321,934</b>
<b>Accumulated Depreciation and impairment</b>								
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
<b>At 31st March 2018</b>	<b>(6)</b>	<b>(63)</b>	<b>(4,289)</b>	<b>(1,425)</b>	<b>(4)</b>	<b>(1)</b>	<b>0</b>	<b>(5,788)</b>
<b>Net Book Value at 31st March 2018</b>	<b>258,525</b>	<b>52,446</b>	<b>1,134</b>	<b>36</b>	<b>3,197</b>	<b>808</b>	<b>0</b>	<b>316,146</b>
<b>Net Book Value at 31st March 2017</b>	<b>248,426</b>	<b>46,527</b>	<b>894</b>	<b>43</b>	<b>3,188</b>	<b>915</b>	<b>0</b>	<b>299,993</b>

<b>Movements in 2016/17</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Plant, Property and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1st April 2016	194,728	45,481	6,845	1,461	3,031	868	36	252,450
Additions	5,253	56	197	0	122	0	0	5,628
Revaluation increases/(decreases) recognised in the Revaluation Reserve	662	572	0	0	0	8	0	1,242
Revaluation increases/(decreases) recognised in the Provision of Services	51,155	529	0	0	0	0	0	51,684
Derecognition – disposals	(3,333)	0	(259)	0	0	0	0	(3,592)
Asset Reclassification	0	(40)	0	0	36	40	(36)	0
<b>At 31st March 2017</b>	<b>248,465</b>	<b>46,598</b>	<b>6,783</b>	<b>1,461</b>	<b>3,189</b>	<b>916</b>	<b>0</b>	<b>307,412</b>
<b>Accumulated Depreciation and impairment</b>								
At 1st April 2016	(2,016)	(58)	(5,867)	(1,410)	(1)	0	0	(9,352)
Depreciation charge	(2,787)	(865)	(252)	(8)	0	(3)	0	(3,915)
Depreciation written out to the Revaluation Reserve	105	666	0	0	0	3	0	774
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,659	185	0	0	0	0	0	4,844
Derecognition – disposals	0	0	230	0	0	0	0	230
Asset Reclassification	0	1	0	0	0	(1)	0	0
<b>At 31st March 2017</b>	<b>(39)</b>	<b>(71)</b>	<b>(5,889)</b>	<b>(1,418)</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	<b>(7,419)</b>
<b>Net Book Value at 31st March 2017</b>	<b>248,426</b>	<b>46,527</b>	<b>894</b>	<b>43</b>	<b>3,188</b>	<b>915</b>	<b>0</b>	<b>299,993</b>
<b>Net Book Value at 31st March 2016</b>	<b>192,712</b>	<b>45,423</b>	<b>978</b>	<b>51</b>	<b>3,030</b>	<b>868</b>	<b>36</b>	<b>243,098</b>

### 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 2018, 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 2018/19. Similar commitments at 31st March 2017 were £11,528K with future year's budgets being £12,406K. The current major commitments are:

	<b>31st March 2018 £'000</b>
Loughborough Festive Lights and Street Dressing	130
Messenger Close, Loughborough	120
Community Facilities Grants	195
Green Spaces Programme	537
Hallam Fields Community Hall	350
Loughborough University Science and Enterprise Park	350
Syston Town Council – contribution towards Cemetery	210
Carillon Tower Restoration Project	282
Private Sector Housing and Disabled Facilities Grants	1,177
HRA Decent Homes and Neighbourhoods	7,559
Other Commitments	1,496
	<b>12,406</b>

## 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 2018 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.

2016/17 £'000		2017/18 £'000
(60)	Rental Income from Investment Property	(52)
33	Direct Operating expenses arising from investment property	1
<b>(27)</b>	<b>Total</b>	<b>(51)</b>

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

2016/17 £'000		2017/18 £'000
<b>3,520</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>3,462</b>
12	Change in Fair Values	(5)
(70)	Other changes - Disposals	0
<b>3,462</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>3,457</b>

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31<sup>st</sup> March 2018 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 2018 £'000
Investment Land	0	2,767	320	3,087
Investment Properties	0	268	102	370
Surplus	0	808	0	808
<b>Total</b>	<b>0</b>	<b>3,843</b>	<b>422</b>	<b>4,265</b>

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

	<b>As at 31st March 2018</b>	<b>Valuation technique used to measure fair value</b>	<b>Unobservable inputs</b>	<b>Range</b>	<b>Sensitivity</b>
	<b>£'000</b>				
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	346	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 £111K was charged to revenue in 2017/18 and is analysed in the following table:

<b>2016/17 £'000</b>	<b>Amortisation Charged to the Comprehensive Income and Expenditure Statement</b>	<b>2017/18 £'000</b>
3	Cultural and Related Services	3
11	Housing Services – HRA	17
91	Absorbed over Service Headings	91
<b>105</b>		<b>111</b>

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

2016/17 £'000		2017/18 £'000
	<b>Balance at 1<sup>st</sup> April:</b>	
2,983	Gross carrying amounts	3,006
(2,720)	Accumulated Amortisation	(2,741)
263	<b>Net carrying amount at 1<sup>st</sup> April</b>	265
107	Additions: Purchases	71
(105)	Amortisation for the period	(111)
(84)	Derecognition – disposals	(29)
84	Derecognition – depreciation written out	29
<b>265</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>225</b>
	Comprising:	
3,006	Gross carrying amounts	3,048
(2,741)	Accumulated Amortisation	(2,823)
<b>265</b>		<b>225</b>

**Note 13 Heritage Assets**

2016/17 £'000		2017/18 £'000
229	<b>Balance at 1<sup>st</sup> April</b>	229
0	Revaluations	10
<b>229</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>239</b>



## Note 14 Financial Instruments

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

	Long-Term		Short-Term	
	31st March 2017 £'000	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000
<b>Investments</b>				
Loans and Receivables	2,000	4,436	22,000	13,000
<b>Total Investments</b>	<b>2,000</b>	<b>4,436</b>	<b>22,000</b>	<b>13,000</b>
<b>Debtors</b>				
Loans and Receivables	0	0	3,118	3,802
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>3,118</b>	<b>3,802</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	81,190	81,190	0	0
<b>Total Borrowings</b>	<b>81,190</b>	<b>81,190</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial Liabilities	0	0	7,478	6,867
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>7,478</b>	<b>6,867</b>

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 £3.187m 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 £93.4m 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 2018 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 31<sup>st</sup> March 2018, 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 £3.99m.

### **Long-Term Investments**

The Council holds £2.436m in the Lothbury Property Trust as at the Balance Sheet date. This is has been accounted for as a long term investment on the Balance Sheet and the gain as an unusable Available for Sale Reserve.

**Income, Expense, Gains and Losses on Financial Instruments**

	2016/17			2017/18		
	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
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>2,929</b>	<b>2,929</b>	<b>0</b>	<b>2,929</b>	<b>2,929</b>
Interest Income	(272)	0	(272)	(255)	0	(255)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>(272)</b>	<b>0</b>	<b>(272)</b>	<b>(255)</b>	<b>0</b>	<b>(255)</b>
Gain on Revaluation	0	0	0	0	0	0
<b>Surplus/deficit arising on revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Gain)/Loss for the Year</b>	<b>(272)</b>	<b>2,929</b>	<b>2,657</b>	<b>(255)</b>	<b>2,929</b>	<b>2,674</b>

**Note 15 Inventories**

31st March 2017 £'000		31st March 2018 £'000
69	Housing Van Stock	82
10	Franking Machines	12
14	Other	15
<b>93</b>		<b>109</b>

## Note 16 Short-Term Debtors

31st March 2017 £'000		31st March 2018 £'000
	<u>Amounts falling due in one year:</u>	
567	HM Revenue and Customs	590
451	Government Departments	1,206
909	Housing Rents	973
1,170	Reserved Debtors	1,536
4,222	Sundry Debtors	4,709
344	CBC Net Share of Council Tax Debtors	410
743	Council Tax Preceptors Cash Paid in Advance	806
348	CBC Share of NNDR Arrears	340
46	Other	112
<b>8,800</b>		<b>10,682</b>

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 £3,416K (2016/17 £3,183K).

### Bad Debts Impairments

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

2016/17 £'000		2017/18 £'000
(42)	Bed and Breakfast	(22)
(1,921)	Housing Benefits	(1,994)
(112)	General Fund Other	(112)
(975)	Housing Rents	(1,117)
(119)	CBC Share of NNDR Bad/Doubtful Debt	(157)
(14)	General Fund Rent	(14)
<b>(3,183)</b>		<b>(3,416)</b>

### Note 17 Cash and Cash Equivalents

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

31st March 2017 £'000		31st March 2018 £'000
187	Cash held by the Council Short-term deposits with approved institutions	293
15,250		21,865
<b>15,437</b>		<b>22,158</b>
(789)	Bank Overdraft	(1,023)
<b>(789)</b>		<b>(1,023)</b>
<b>14,648</b>	<b>Total Cash and Cash Equivalents</b>	<b>21,135</b>

### Note 18 Surplus Assets Held for Sale

2016/17 Current Assets £'000		2017/18 Current Assets £'000
53	<b>Balance outstanding at 1<sup>st</sup> April</b>	<b>0</b>
(53)	De-recognition - Disposals	0
<b>0</b>	<b>Balance outstanding at 31<sup>st</sup> March</b>	<b>0</b>

## Note 19 Short-Term Creditors

31st March 2017		31st March 2018
£'000		£'000
534	HM Revenue and Customs	579
7	Government Departments	6
152	Leicestershire County Council	187
483	Housing Rents	519
1,841	Other Sundry Creditors	1,301
5,154	Reserved Creditors	5,047
1,728	Section 106 Developers' Contributions	1,514
192	CBC Share of Overpaid Council Tax	183
265	Accumulated Absences Account	271
243	NNDR - CBC Share Overpayments	371
211	NNDR - Leicestershire County Council	277
1,172	NNDR - Central Government	1,468
412	NNDR - Leicestershire Pool	475
23	NNDR - Combined Fire Authority	29
<b>12,417</b>		<b>12,227</b>

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 2018.

## 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.

2016/17 £'000		2017/18 £'000	2017/18 £'000
(1,700)	<b>NNDR Provision for Appeals Brought Forward 1<sup>st</sup> April</b>	(1,700)	
0	<b>Changes to NNDR Provision:</b> decrease in Provision NNDR Appeals	63	
<b>(1,700)</b>	<b>Balance at 31st March</b>		<b>(1,637)</b>

## 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 31<sup>st</sup> March 2018 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.

2016/17 £'000		2017/18 £'000
<b>(7,138)</b>	<b>Balance at 1st April</b>	<b>(8,291)</b>
(1,794)	General Fund amounts receivable	(1,004)
(5)	HRA amounts receivable – 1-4-1 receipts	(627)
(140)	HRA amounts receivable – other	(11)
786	Amounts applied to finance new capital investments	140
<b>(8,291)</b>	<b>Balance at 31st March</b>	<b>(9,793)</b>

### Usable Capital Grants and Contributions Reserve

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

2016/17 £'000		2017/18 £'000
<b>(298)</b>	<b>Balance at 1st April</b>	<b>(184)</b>
114	Amounts applied to finance new capital investments	20
0	Amounts transferred to/(from) revenue	(58)
<b>(184)</b>	<b>Balance at 31st March</b>	<b>(222)</b>

## Note 22 Unusable Reserves

31st March 2017 £'000		31st March 2018 £'000
717	Collection Fund Adjustment Account	504
(202,880)	Capital Adjustment Account	(214,779)
0	Available for Sale Financial Instrument Reserve	(19)
64,814	Pension Reserve Deficit	62,742
(19,497)	Revaluation Reserve	(23,715)
265	Accumulated Absences Account	271
<b>(156,581)</b>		<b>(174,996)</b>

### 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.

2016/17 £'000		2017/18 £'000	2017/18 £'000
<b>(17,773)</b>	<b>Balance at 1st April</b>		<b>(19,497)</b>
(2,723)	Upward Revaluation of Assets	(6,100)	
706	Downward Revaluation of Assets and Impairment	1,513	
<b>(2,015)</b>	<b>Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(4,587)</b>
0	Adjusting amounts written to the Capital Adjustment Account	45	
291	Difference between Fair Value Depreciation and Historical Cost Depreciation	324	
<b>291</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>369</b>
<b>(19,497)</b>	<b>Balance at 31st March</b>		<b>(23,715)</b>



## 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 2017 £'000		31st March 2018	
		£'000	£'000
(148,053)	<b>Balance at 1st April</b>		(202,880)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(52,425)	Charges for Depreciation and Impairment on Non-current Assets	(7,916)	
46	Revaluation losses on Property, Plant and Equipment	527	
105	Amortisation of Intangible assets	111	
3,518	Revenue Expenditure Funded from Capital under Statute	2,343	
	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	3,095	(1,840)
3,487			
(45,269)			
(292)	Adjusting amounts written out of the Revaluation Reserve		(324)
	Net written out amount of the cost of Non-current Assets consumed in the year		(205,044)
(193,614)	<b>Capital financing applied in the year:</b>		
(786)	Use of Capital Receipts to finance new capital expenditure	(141)	
(1,488)	Use of Major Repairs Reserve to finance new capital expenditure	(3,736)	
(2,808)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,255)	
(114)	Application of grants to capital financing from the Capital Grants Unapplied Account	(20)	
(4,058)	Capital expenditure charged against the General Fund and HRA balances	(3,588)	
(9,254)			(9,740)
(12)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		5
(202,880)	<b>Balance at 31st March</b>		(214,779)

## 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.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>55,374</b>	<b>Balance at 1st April</b>	<b>64,814</b>
7,875	Actuarial (gains) or losses on pension assets and liabilities	(4,946)
4,754	Reversal of items relating to retirement benefits to the Comprehensive Income and Expenditure Statement	6,198
(3,189)	Employers Pension Contributions in the year	(3,324)
<b>64,814</b>	<b>Balance at 31st March</b>	<b>62,742</b>

## 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.

<b>31st March 2017 £'000</b>		<b>31st March 2018 £'000</b>
<b>1,070</b>	<b>Balance at 1st April</b>	<b>717</b>
	Amounts credited to the Comprehensive Income and Expenditure Statement are different from council tax income calculated for the year in accordance with statutory requirements:	
76	Council Tax	(66)
(429)	NDR Business Rates	(147)
<b>717</b>	<b>Balance at 31st March</b>	<b>504</b>

### 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 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund and HRA is neutralised by transfers to or from the Account.

31st March 2017 £'000		31st March 2018 £'000
262	<b>Balance at 1st April</b>	265
	Amounts accrued at the end of the current year	
3	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	6
<b>265</b>	<b>Balance at 31st March</b>	<b>271</b>

### Available for Sale Financial Instruments Reserves

The Available for Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its Property Fund investments that have quoted market prices or otherwise do not have fixed or determinable payments. 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 2017 £'000		31st March 2018 £'000
0	<b>Balance at 1st April</b>	<b>0</b>
0	Upward Revaluation of Property Funds in year	(19)
<b>0</b>	<b>Balance at 31st March</b>	<b>(19)</b>

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

2016/17 £'000		2017/18 £'000
(396)	Interest Received	(337)
3,020	Interest Paid	3,103
<b>2,624</b>	<b>Cash (Inflow)/Outflow</b>	<b>2,766</b>

**Note 24 Cash Flow Statement – Investing Activities**

2016/17 £'000		2017/18 £'000
4,975	Purchase of Property, Plant, Equipment, Investment Property and Intangible Assets	7,439
10	Other payments for investing activities	51
(3,529)	Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(2,371)
5,041	Purchase of Short-term and Long-term Investments	(6,583)
(3,586)	Other Receipts for Investing Activities	(1,631)
<b>2,911</b>	<b>Cash (Inflow)/Outflow</b>	<b>3,095</b>

**Note 25 Cash Flow Statement – Financing Activities**

2016/17 £'000		2017/18 £'000
1,543	Net Council Tax/NNDR Debtor and Creditors	371
<b>1,543</b>	<b>Cash (Inflow)/Outflow</b>	<b>371</b>

**Note 26 Trading Operations**

The Council's trading operations include Loughborough Market, Shepshed Market and Woodgate Chambers. Expenditure in 2017/18 includes a revaluation gain adjustment of £143K.

2016/17 £'000		2017/18 £'000
(453)	Income	(433)
406	Expenditure	248
<b>(47)</b>	<b>(Surplus)/Deficit</b>	<b>(185)</b>

## Note 27 Members Allowances

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

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
342	Salaries/Allowances	349
6	Expenses	6
<b>348</b>		<b>355</b>

## 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.

<b>Total Number of Employees 2016/17</b>	<b>Remuneration Band</b>	<b>Total Number of Employees 2017/18</b>
5	£50,000 - £54,999	4
2	£55,000 - £59,999	6
2	£60,000 - £64,999	2
3	£75,000 - £79,999	3
1	£115,000 - £119,999	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 2017/18.

Total Remuneration including Pension Contribution 2016/17 £	Post Holder Information (Post Title)	Salary, Fees and Allowances £	Expense Allowances £	Total Remuneration excluding Pension Contribution 2017/18 £	Employers Pension Contribution £	Total Remuneration including Pension Contribution 2017/18 £
149,493	Chief Executive	117,919	0	117,919	35,171	153,090
97,670	Director of Neighbourhoods and Community Wellbeing	77,410	0	77,410	21,516	98,926
97,616	Director of Housing, Planning and Regeneration and Regulatory Services	77,395	0	77,395	21,516	98,911
97,642	Director of Corporate Services	77,372	0	77,372	21,517	98,889
<b>442,421</b>		<b>350,096</b>	<b>0</b>	<b>350,096</b>	<b>99,720</b>	<b>449,816</b>

## Note 29 Grant Income

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

2016/17 £'000	Credited to Taxation and Non-Specific Grant Income	2017/18 £'000
(9,836)	Council Tax Income	(10,378)
(4,408)	National Non Domestic Rates (NNDR)	(4,506)
(2,090)	Revenue Support Grant	(1,265)
(178)	Capital Grants and Contributions	(276)
(4,500)	New Homes Bonus	(4,013)
88	Other Government Grants	38
(92)	NDR Adjustment Account	284
(74)	Council Tax Adjustment Account	(65)
<b>(21,090)</b>	<b>Total Credited to Taxation and Non-Specific Grant Income</b>	<b>(20,181)</b>
	<b>Benefit Grants Credited to Services</b>	
(18,879)	Rent Allowance Subsidy	(18,709)
(11,349)	Rent Rebate Subsidy	(10,945)
(403)	Housing Benefit Administration Subsidy	(371)
	<b>Other Grants Credited to Services</b>	
(3)	DWP Universal Credit	(10)
(55)	Crime and Disorder Partnership	(66)
(260)	Localisation of Council Tax	(288)
(114)	Leicestershire County Council Sports and Active Grant	(107)
(3)	Staying Healthy Grant	(0)
(2,630)	Capital Grants and Contributions	(2,038)
(76)	Local Plans	(124)
(50)	Syrian Vulnerable Person Resettlement Scheme	(81)
(37)	Rough Sleepers Grant	(191)
(0)	Homelessness Prevention Fund	(85)
(97)	Other Government Grants	(154)
<b>(33,956)</b>	<b>Total Grants credited to Services</b>	<b>(33,169)</b>

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:

<b>31st March 2017</b>	<b>Capital Grants and Contributions - Receipts in Advance</b>	<b>31st March 2018</b>
<b>£'000</b>		<b>£'000</b>
(2,461)	S106 Developers' Contributions	(1,530)
(24)	Other Capital Grants and Contributions	(221)
<b>(2,485)</b>		<b>(1,751)</b>

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:

<b>31st March 2017</b>	<b>Revenue Grants and Contributions - Receipts in Advance</b>	<b>31st March 2018</b>
<b>£'000</b>		<b>£'000</b>
(247)	S106 Developers' Contributions	(254)
(392)	Other Revenue Grants and Contributions	(396)
<b>(639)</b>		<b>(650)</b>

### **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 KPMG. A refund of £8k was received from the Public Sector Audit Appointments for retained earnings to audited bodies is excluded from the table below.

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
55	Fees payable with regard to external audit services carried out by the appointed auditor	55
10	Fees payable for the certification of grant claims and returns for the year	12
4	Fees payable in respect of other services	3
<b>69</b>		<b>70</b>



## **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. For 2017/18 financial year the definition of related parties has been updated to include entities which provide key management personnel services to 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 2017/18 is shown in Note 27. No members of the council or senior officers undertook any material related party transactions requiring disclosure during 2017/18.

### **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.

### **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.

2016/17 £'000		2017/18 £'000
81,336	<b>Opening Capital Financing Requirement</b>	81,572
236	Impairment charge for non-dwelling HRA assets chargeable to the Comprehensive Income and Expenditure Statement	0
	<b>Capital Investment</b>	
5,628	Property, Plant and Equipment	7,325
107	Intangible Assets	71
3,518	Revenue Expenditure Funded from Capital under Statute	2,343
	<b>Sources of Finance</b>	
(786)	Capital Receipts	(141)
(1,488)	Major Repairs Reserve	(3,736)
(2,921)	Government Grants and other Contributions	(2,276)
	<b>Sums set aside from revenue:</b>	
(4,058)	Direct Revenue Contributions	(3,588)
<b>81,572</b>	<b>Closing Capital Financing Requirement</b>	<b>81,572</b>
	<b>Explanation of movements in year</b>	
236	Impairment charge for non-dwelling HRA Assets chargeable to the Comprehensive Income and Expenditure Statement	0
<b>236</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>0</b>

### Note 33 Termination Benefits

The Council agreed to terminate the contracts of three employees in 2017/18, incurring liabilities totalling £25K, (seven employees in 2016/17 £40K). None of these employees were Directors. Two officers were made redundant, one from the Customer Service Centre and one from the Contact Centre, capital pension costs of £2K for these officers are also included. One officer from Loughborough Markets received a compensation payment.

## 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 pensions 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.

<b>Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme 2016/17 £'000</b>	<b>Local Government Pension Scheme 2017/18 £'000</b>
Current Service cost	2,823	4,499
<b>Financing and Investment Income and Expenditure</b>	1,931	1,699
Net Pensions Interest costs and Expected return on scheme assets		
Total Post Employment Benefit charge to the (Surplus)/ Deficit on the Provision of Services	4,754	6,198
<b>Movement in Reserve Statement</b>		
Reversal of net charges made to the (Surplus)/Deficit for the Provision of Services for post-employment benefits in accordance with the code	(1,565)	(2,874)
<b>Actual amount charged against the General fund balance for pension in the year</b>	<b>3,189</b>	<b>3,324</b>
<b>Actuarial Gains and (Losses) in the year</b>	<b>(7,876)</b>	<b>4,944</b>

The actuarial Gains/(Losses) identified above are directly from the Leicestershire County Council Pension Valuation Report. However, there is a £1,678 reconciling item in 2017/18, being 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:

	2016/17 £'000	2017/18 £'000
Fair Value of Employer Assets	108,695	112,658
Present Value of Funded Liabilities	(172,155)	(174,084)
Net (Under)/Over funding in Funded Plans	(63,460)	(61,426)
Present Value of Unfunded Liabilities	(1,354)	(1,316)
Net Asset/(Liability) in Balance Sheet	(64,814)	(62,742)

## 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 2018 and this amounted to £62,742K. This is a decrease of £2,072K on the position at 31st March 2017. 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 2017		31st March 2018
% Per Annum	Financial Assumptions:	% Per Annum
2.4%	Rate of Inflation/Pension Increase Rate	2.4%
3.4%	Salary Increase Rate	3.4%
2.6%	Discount Rate	2.7%

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**

<b>Assets 2016/17 £'000</b>	<b>Obligations 2016/17 £'000</b>	<b>Net(Liability) /Asset 2016/17 £'000</b>		<b>Assets 2017/18 £'000</b>	<b>Obligations 2017/18 £'000</b>	<b>Net(Liability) /Asset 2017/18 £'000</b>
91,366		91,366	Fair Value of employer assets	108,695		108,695
	(145,412)	(145,412)	Present value of funded liabilities		(172,155)	(172,155)
	(1,328)	(1,328)	Present value of unfunded liabilities		(1,354)	(1,354)
<b>91,366</b>	<b>(146,740)</b>	<b>(55,374)</b>	<b>Opening Position as at 31st March</b>	<b>108,695</b>	<b>(173,509)</b>	<b>(64,814)</b>
	(2,816)	(2,816)	Current Service Cost		(4,498)	(4,498)
	(7)	(7)	Past Service Cost (including Curtailments)		(1)	(1)
<b>0</b>	<b>(2,823)</b>	<b>(2,823)</b>	<b>Total Service Cost</b>	<b>0</b>	<b>(4,499)</b>	<b>(4,499)</b>
3,180	(5,111)	3,180	Interest Income on plan assets	2,813		2,813
		(5,111)	Interest Cost on defined benefit obligation		(4,512)	(4,512)
<b>3,180</b>	<b>(5,111)</b>	<b>(1,931)</b>	<b>Total Net Interest</b>	<b>2,813</b>	<b>(4,512)</b>	<b>(1,699)</b>
<b>3,180</b>	<b>(7,934)</b>	<b>(4,754)</b>	<b>Total Defined Benefit Cost Recognised in Profit or (Loss)</b>	<b>2,813</b>	<b>(9,011)</b>	<b>(6,198)</b>
			<u>Cashflows</u>			
725	(725)	0	Plan Participants Contributions	745	(745)	0
3,089		3,089	Employers Contributions	3,225		3,225
101		101	Contributions in respect of unfunded benefits	101		101
(4,696)	4,696	0	Benefits paid	(4,863)	4,863	0
(101)	101	0	Unfunded Benefits Paid	(101)	101	0
<b>(882)</b>	<b>4,072</b>	<b>3,190</b>	<b>Total Cashflows</b>	<b>(893)</b>	<b>4,219</b>	<b>3,326</b>
<b>93,664</b>	<b>(150,602)</b>	<b>(56,938)</b>	<b>Expected Closing Position</b>	<b>110,615</b>	<b>(178,301)</b>	<b>(67,686)</b>
	1,855	1,855	<u>Remeasurements</u>			
			Changes in Demographic Assumptions		0	0
	(29,927)	(29,927)	Changes in financial assumptions		2,934	2,934
	5,165	5,165	Other experience		(33)	(33)
15,031	0	15,031	Return on assets excluding amounts included in net interest	2,043	0	2,043
<b>15,031</b>	<b>(22,907)</b>	<b>(7,876)</b>	<b>Total Measurements recognised in Other Comprehensive Income</b>	<b>2,043</b>	<b>2,901</b>	<b>4,944</b>
<b>108,695</b>	<b>(173,509)</b>	<b>(64,814)</b>	<b>Total Expected Closing Position</b>	<b>112,658</b>	<b>(175,400)</b>	<b>(62,742)</b>
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)
<b>108,695</b>	<b>(173,509)</b>	<b>(64,814)</b>	<b>Closing Position</b>	<b>112,658</b>	<b>(175,400)</b>	<b>(62,742)</b>

Value of Employers Assets	31st March 2017 £'000	% of Total Assets	31st March 2018 £'000	% of Total Assets
<b>Equity Securities:</b>				
Other	2,808	3%	2,734	2%
<b>Debt Securities:</b>				
UK Government	9,361	9%	9,402	8%
Other	1,191	1%	1,029	1%
<b>Private Equity</b>	4,104	4%	4,006	4%
<b>Real Estate – UK Property</b>	8,734	8%	9,897	9%
<b>Investment Funds and Unit Trusts:</b>				
Equities	52,060	48%	53,071	47%
Bonds	9,747	9%	12,932	11%
Hedge Funds	3,649	3%	3,927	4%
Commodities	2,561	2%	2,639	2%
Infrastructure	4,865	4%	5,329	5%
Other	2,723	3%	3,333	3%
<b>Derivatives – Foreign Exchange</b>	(50)	0%	(328)	0%
<b>Cash and Cash Equivalents</b>	6,942	6%	4,687	4%
<b>Closing Balance at 31st March</b>	<b>108,695</b>	<b>100%</b>	<b>112,658</b>	<b>100%</b>

Sensitivity Analysis	Approximate % Increase to Employer Liability	Approximate Monetary Amount £'000
0.5% Decrease in Real Discount Rate	10%	16,720
0.5% Increase in the Salary Increase Rate	1%	2,311
0.5% Increase in the Pension Increase Rate	8%	14,188

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 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000	2013/14 £'000
Fair Value of Employer Assets	112,658	108,695	91,366	91,844	80,713
Present Value of Defined Benefit Obligation	(175,400)	(173,509)	(146,740)	(167,059)	(142,952)
Surplus/(Deficit)				(75,215)	(62,239)

	(62,742)	(64,814)	(55,374)		
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The liabilities show the underlying commitments that the Council has, in the long run, to pay retirement benefits. The total liability of £62,742K 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 2019 will be approximately £3,389K (2017/18 are approximately £3,142K).

### 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.

31st March 2017		31st March 2018
£'000		£'000
(7)	Van Nievelt Legacy – for Carillon Tower	(7)
(7)		(7)

### Note 36 Contingent Liabilities and Contingent Assets

The Council is in a contractual dispute with a supplier with the amount being disputed in the order of £3.6m. The Council does not consider it has any liability in this matter and has not therefore included any accrual or provision within the financial statements.

### 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 2018 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:

<b>31st March 2017</b>		<b>31st March 2018</b>
<b>£'000</b>		<b>£'000</b>
944	Less than three months	1,085
58	Three to six months	52
14	Six months to one year	21
10	More than one year	7
<b>1,026</b>		<b>1,165</b>

## 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 £2.436m. 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 £3.992m. One of these matures in 2018/19 and one in 2019/20.



## **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.

2016/17 £'000		Note	2017/18 £'000
	<b>Expenditure</b>		
4,898	Supervision and Management		5,191
4,999	Repairs and Maintenance		5,502
518	Rents, Rates, Taxes and other charges		476
1	Rent Rebates		0
(53,215)	Depreciation/Revaluation increase/Impairment of non-current assets	2	(6,628)
11	Debt management costs		16
379	Movement in the allowance for bad debts (not specified by the Code)		330
(42,409)	Total Expenditure		4,887
	<b>Income</b>		
(21,451)	Dwellings	1	(21,038)
(370)	Non-dwelling rents		(372)
(671)	Charges for Services and Facilities		(714)
(147)	Contributions towards expenditure		(153)
(139)	Other Income		(130)
(22,778)	Total Income		(22,407)
(65,187)	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(17,520)
104	HRA services' share of Corporate and Democratic Core		101
(65,083)	<b>Net Cost for HRA Services</b>		(17,419)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(24)	Capital grants and contributions receivable		(45)
406	Loss on disposal of HRA non-current assets		1,142
(40)	Interest and investment income		(51)
2,780	Interest Payable		2,777
<b>(61,961)</b>	<b>Net Cost/(Income) of HRA Services</b>		<b>(13,596)</b>

### Movement on the HRA Statement

2016/17 £'000		Note	2017/18 £'000
(1,158)	<b>Balance on the HRA at the end of the previous year</b>		<b>(621)</b>
(61,961)	Surplus for the year on the HRA Income and Expenditure Statement		(13,596)
59,124	Adjustments between accounting basis and funding basis under statute		11,143
<b>(2,837)</b>	<b>Net increase before transfers to or from reserves</b>		<b>(2,453)</b>
3,374	Transfers to reserves		2,457
<b>537</b>	<b>Decrease in year on the HRA</b>		<b>4</b>
<b>(621)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(617)</b>

### Reconciling Items for the Statement of Movement on the HRA Balance

2016/17 £'000		Note	2017/18 £'000
	<b>Adjustments between accounting basis and funding basis under statute</b>		
3,645	Capital expenditure funded by the HRA		2,581
(406)	Loss on sale of HRA non-current assets		(1,142)
0	Accumulated Absences Account		(1)
24	Reversal of Capital Grants and Contributions		45
55,814	Reversal of Gain on Revaluation		9,597
47	Adjustment to recharges based on impairment of a General Fund Asset		63
<b>59,124</b>			<b>11,143</b>
	<b>Transfers (to) or from reserves</b>		
94	HRA share of contributions to/(from) the Pension Reserve	7	(495)
3,280	Transfer to/(from) the Housing Financing Fund	8	2,952
<b>3,374</b>			<b>2,457</b>

## Notes to the Housing Revenue Account

### Note 1 Gross Rents

Gross rent due in the year, after allowance is made for empty properties, was £21,038k. The rent loss caused by empty properties was 2.16% for 2017/18 compared with 2.19% in 2016/17. The average rent for 2017/18 on a 52 week basis was £73.85 (2016/17 £74.64).

#### Rent Arrears

2016/17 £'000		2017/18 £'000
	Arrears at 31st March:	
391	Current Tenants	435
427	Former Tenants	428
1	Garages and Shops	3
<b>819</b>		<b>866</b>
3.74%	Dwelling Arrears as % of gross debit	4.47%
78	Court Costs	95
164	Rent Write-off/irrecoverable	134
1	Rent Rebate Overpayment Write-off/irrecoverable	0
60	Rechargeable Repairs Write-off/irrecoverable	55
1	Leaseholder Charges Write-off/irrecoverable	0

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 2017 £'000		31st March 2018 £'000
844	Rent	961
66	Overpaid Rent Rebate	66
57	Landlord Services rechargeable repairs	64
8	Leaseholder Charges	26
<b>975</b>		<b>1,117</b>

## Note 2 Depreciation Charge and Capital Credit

Total Capital Financing Charges of £16K was debited to the HRA in 2017/18 in accordance with the Item 8 determinations for the year, compared with £11K in 2016/17. There were capital grants and contributions receivable totalling £45K. The Depreciation Charge is analysed below: -

2016/17 £'000		2017/18 £'000
2,787	Depreciation:	2,913
32	Dwellings	34
5	Garages and Shops	5
11	Plant, Vehicles and Equipment	17
	Intangibles	
<b>2,835</b>		<b>2,969</b>
(56,050)	Net Revaluation increase of non-current assets	(9,597)
<b>(53,215)</b>		<b>(6,628)</b>

## Note 3 Housing Stock

The Council was responsible for managing 5,608 HRA dwellings as at 31st March 2018. 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 2017		Number of Dwellings 31st March 2018
2,719	Flats/Maisonettes	2,715
2,923	Houses/Bungalows	2,893
<b>5,642</b>		<b>5,608</b>

The change in stock can be summarised as follows:-

Number of Dwellings 2016/17		Number of Dwellings 2017/18
<b>5,698</b>	<b>Stock at 1st April</b>	<b>5,642</b>
5	New Properties and Acquisitions	2
(61)	Property Sales	(36)
<b>5,642</b>	<b>Stock at 31st March</b>	<b>5,608</b>

On 31st March 2018 there were 10 void properties withheld from letting (12 at 31st March 2017) for major refurbishment. Two HRA properties are being used as community centres on a temporary basis. The figure of 5,608 represents the actual HRA dwelling stock the Council owns.

The dwellings are classified as operational assets within the Housing Revenue Account. In addition there were no changes to the number of non-dwelling assets which were 806 garages in 2017/18, 13 shops and 1 store in 2017/18.

**Note 4 Balance Sheet Value of Council's Housing Stock**

<b>31st March 2017 £'000</b>		<b>31st March 2018 £'000</b>
248,426	Dwellings	258,525
	Other land and buildings	
3,666	Garages	3,884
1,408	Shops and Store	1,399
<b>253,500</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>263,808</b>

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

**Vehicles, Plant and Equipment**

<b>31st March 2017 £'000</b>		<b>31st March 2018 £'000</b>
<b>33</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>14</b>
15	Additions: Purchases	43
(29)	Disposals	0
(5)	Depreciation	(5)
<b>14</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>52</b>

**Intangibles**

<b>31st March 2017 £'000</b>		<b>31st March 2018 £'000</b>
<b>27</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>51</b>
35	Additions: Purchases	18
(11)	Depreciation	(17)
<b>51</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>52</b>

**Assets held for sale**

<b>31st March 2017 £'000</b>		<b>31st March 2018 £'000</b>
<b>53</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>0</b>
(53)	Asset Reclassification	0
<b>0</b>	<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>0</b>

The Existing Use Value – Social Housing as at 1st April 2017 was £246,873K. The vacant possession value of dwellings as at 1st April 2017 was £587,794K. 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 £6,466K.

Capital expenditure is shown as follows:-

2016/17 £'000		2017/18 £'000
<b>5,303</b>	<b>Capital Expenditure</b>	<b>6,466</b>
	<b>Financed By:</b>	
1,488	Major Repairs Reserve	3,736
24	Other Capital Contributions	45
3,645	Revenue Contributions	2,581
146	HRA Capital Receipts	104
<b>5,303</b>		<b>6,466</b>

Total capital receipts from the sale of HRA assets were £2,421K as follows:-

2016/17 £'000		2017/18 £'000
3,250	Council House Sales	2,445
(78)	Less: Administration costs	(47)
3,172	Net Council House Sales	2,398
140	Miscellaneous Capital Receipts	11
0	Reclaimable Discount from Council House Sales	12
<b>3,312</b>		<b>2,421</b>

## Note 6 Major Repairs Reserve

2016/17 £'000		2017/18 £'000
<b>(2,053)</b>	<b>Balance at 1st April</b>	<b>(3,400)</b>
(2,835)	Transfer to Major Repairs Reserve	(2,969)
1,488	Capital Expenditure funded from Major Repairs Reserve	3,736
<b>(3,400)</b>	<b>Balance at 31st March</b>	<b>(2,633)</b>

## Note 7 Pension Fund

In accordance with IAS19, Accounting for Retirement Benefits, accounting adjustments has been made in the Housing Revenue Account to report pension liabilities. In 2017/18 this represented an increase of £495K to net cost of service compared to a reduction of £94K in 2016/17.

**Note 8 HRA Financing Fund**

<b>2016/17 £'000</b>		<b>2017/18 £000</b>
(750)	<b>Balance as at 1<sup>st</sup> April</b>	(4,030)
(3,315)	Contribution to Financing Fund	(2,952)
35	Contribution from Financing Fund	0
<b>(4,030)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>(6,982)</b>



## Collection Fund Statement 2017/18

Business Rates	Council Tax	Total		Note	Business Rates	Council Tax	Total
2016/17	2016/17	2016/17			2017/18	2017/18	2017/18
£'000	£'000	£'000			£'000	£'000	£'000
			<b>Income</b>				
0	(84,326)	(84,326)	Council Tax Receivable	2	0	(89,274)	(89,274)
(45,779)	0	(45,779)	Business Rates Receivable	3	(44,729)	0	(44,729)
(45,779)	(84,326)	(130,105)			(44,729)	(89,274)	(134,003)
			<b>Expenditure</b>				
			<b>Apportionment of Previous Year Surplus/(Deficit)</b>				
(429)	0	(429)	Central Government		(601)	0	(601)
(343)	150	(193)	Charnwood Borough Council		(480)	49	(431)
(77)	920	843	Leicestershire County Council		(108)	301	193
0	153	153	Leicestershire Police and Crime Commissioner		0	49	49
(9)	52	43	Combined Fire Authority		(12)	16	4
(858)	1,275	417			(1,201)	415	(786)
			<b>Precept, Demands and Shares</b>				
22,498	0	22,498	Central Government		22,515	0	22,515
17,998	9,836	27,834	Charnwood Borough Council	4	18,012	10,377	28,389
4,050	60,360	64,410	Leicestershire County Council		4,053	63,993	68,046
0	9,828	9,828	Leicestershire Police and Crime Commissioner		0	10,220	10,220
450	3,299	3,749	Combined Fire Authority		450	3,430	3,880
44,996	83,323	128,319			45,030	88,020	133,050
			<b>Charges to the Collection Fund</b>				
291	373	664	Less Write Offs of Non-Collectable Amounts	7	258	353	611
(50)	2	(48)	Less Increase/(Decrease) In Bad Debt Provision	6	95	(63)	32
0	0	0	Less Increase/(Decrease) In Provision For Appeals		(158)	0	(158)
192	0	192	Less Cost of Collection		193	0	193
164	0	164	Less Disregarded Amounts		197	0	197
597	375	972			585	290	875
<b>(1,044)</b>	<b>647</b>	<b>(397)</b>	<b>(Surplus)/Deficit arising during the year</b>		<b>(315)</b>	<b>(549)</b>	<b>(864)</b>
2,995	(1,088)	1,907	(Surplus)/Deficit brought forward 1st April		1,951	(441)	1,510
<b>1,951</b>	<b>(441)</b>	<b>1,510</b>	<b>(Surplus)/Deficit carried forward 31st March</b>	8/9/11	<b>1,636</b>	<b>(990)</b>	<b>646</b>

## 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 2017/18 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	5/9	22.50	12.5
A	Up to and including £40,000	6/9	10,162.50	6,775.0
B	£40,001 - £52,000	7/9	18,027.00	14,021.0
C	£52,001 - £68,000	8/9	16,296.75	14,486.0
D	£68,001 - £88,000	1	9,363.75	9,363.8
E	£88,001 - £120,000	11/9	6,116.25	7,475.4
F	£120,001 - £160,000	13/9	2,925.25	4,225.4
G	£160,001 - £320,000	15/9	1,810.00	3,016.7
H	More than £320,000	18/9	171.00	342.0
	Contributions in lieu			22.7
	Estimated growth in Band D equivalents			454.8
	<b>Total (Tax Base)</b>			<b>60,197.1</b>

The gross tax base, 60,197.1 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 55,414.7. Finally an estimated collection rate of 98.5% for 2017/18, is then applied to the adjusted Band D figure producing a Council Tax Base of 54,583.5 which equates to £1,612.58 for a Band D property. This provides a total requirement of £88,020m.

The actual position is as follows:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
95,860	Gross Council Tax due	101,204
(11,534)	Relief, Exemptions and Transitional Relief Granted	(11,930)
<b>84,326</b>	<b>Council Tax</b>	<b>89,274</b>

### **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.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
55,628	Gross Non-Domestic Rates due	57,812
(9,767)	Reliefs and Exemptions	(14,020)
(82)	Transitional Protection Payment due to/(from) the Council	937
<b>45,779</b>	<b>Net Business Rates Receivable</b>	<b>44,729</b>

The Government specifies an amount (47.9p in 2017/18 and 49.7p in 2016/17) 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 2018 was £130.03m (31st March 2017 £116.6m)

### **Note 4 Charnwood Borough Council Tax Precept**

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
17,697	Charnwood Precept	16,605
2,936	Parish Precepts	3,075
193	Collection Fund Deficit/(Surplus)	431
20,826	RSG and NNDR Redistributed Pool	20,111
(10,990)		(9,734)
<b>9,836</b>		<b>10,377</b>

## Note 5 Provision for Non-Payment

### Council Tax

There is a cumulative provision held as at 31st March 2018 amounting to £1,581K for doubtful debts, including costs. (31st March 2017 £1,727K)

### NNDR

There is a cumulative provision held as at 31st March 2018 amounting to £393k for doubtful debts, including costs. (31st March 2017 £298K)

## Note 6 Contributions to Provision for Bad and Doubtful Debts

2016/17 £'000		2017/18 £'000
2	Council Tax	(63)
(50)	NNDR	95
<b>(48)</b>		<b>32</b>

## Note 7 Write off of Bad Debts

2016/17 £'000		2017/18 £'000
373	Council Tax	353
291	NNDR	258
<b>664</b>		<b>611</b>

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

There was a Surplus balance on the Collection Fund at 31st March 2018 of £990K (Surplus 31st March 2017 £441K). This will be carried forward to 2018/19 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 £415K together with the Surplus brought forward of £441K and an decrease in Bad Debt Provision of £63K - increase the in-year surplus of £900K to a surplus of £990K 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 2018/19 £'000	Amounts to account for in 2019/20 £'000	Total £'000
Leicestershire County Council	474	246	720
Leicestershire Police and Crime Commissioner	76	39	115
Charnwood Borough Council	77	40	117
Combined Fire Authority	25	13	38
<b>Total Surplus</b>	<b>652</b>	<b>338</b>	<b>990</b>

## 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 2017/18 accounts as follows:

In the Balance Sheet at 31st March 2018, the Council included an overall Surplus of £990K (31st March 2017 Surplus £441K) of which £872K relates to Preceptors Share of Surplus (31st March 2017 £389K – Preceptors share of Surplus) in the proportions shown below and the balance of £117K (31st March 2017 - £52K) related to Charnwood Borough Council's share of the Collection Fund Surplus.

2016/17 £'000		2017/18 £'000
320	Leicestershire County Council	719
52	Leicestershire Police and Crime Commissioner	115
17	Leicestershire Combined Fire Authority	38
<b>389</b>		<b>872</b>

## 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.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
780	Charnwood Borough Council	655
176	Leicestershire County Council	147
20	Leicestershire Combined Fire Authority	16
975	Central Government	818
<b>1,951</b>	<b>Deficit/(Surplus) - Balance as at 31st March</b>	<b>1,636</b>

## Glossary of Terms

**Accounting Period** - The period of time covered by the accounts, 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)



## **ANNUAL GOVERNANCE STATEMENT 2017/18**

### **Introduction**

1. This is Charnwood Borough Council's Annual Governance Statement for 2017/18. It provides:
  - An acknowledgement of responsibility for the Council's system of governance;
  - A summary of the assessment of the effectiveness of the Council's governance arrangements;
  - An opinion on the level of assurance that the Council's governance arrangements can provide;
  - An action plan for 2018/19;
  - A summary of progress against actions raised in the previous year's Annual Governance Statement;
  - A statement on conformance with CIPFA's Statement on the Role of the Chief Finance Officer;
  - A conclusion.
2. The Annual Governance Statement will be published on the Council's website as part of the Council's statement of accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, and is compliant with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government 2016 Edition (the Framework).

### **Responsibility For The Governance Framework**

3. Charnwood Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
4. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
5. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework (2016).

## Review Of The Effectiveness Of The Governance Framework

6. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual Internal Audit report, and also by comments made by the external auditors and other review agencies and inspectorates.
7. A summary of the Council's governance framework is set out in the Annex to this statement. The Council considers that its corporate governance arrangements are effective and support the delivery of the principles of good governance.
8. The Council's statutory officers consist of the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Strategic Support), and the s.151 Officer (Strategic Director – Corporate Services). These officers fulfil the required statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly.
9. The Council's Internal Audit service operates according to an annual audit programme which is developed using a risk based approach designed to ensure that key financial systems and significant Council services are audited at appropriate frequencies so that sufficient assurance on adequacy of the internal control environment and risk management arrangements can be provided.
10. The Audit & Risk Manager (the Council's Head of Internal Audit) has produced an annual report for 2017/18 which concluded that based upon the work undertaken by Internal Audit during the year, moderate assurance can be given that the Council's overall framework of governance, risk management and internal control is adequate and effective.
11. Internal Audit identified one areas of limited assurance during the year, which was the audit of contract monitoring arrangements within Environmental Services. Recommendations were made to address the concerns that were noted during the audit, and these had all now been successfully implemented except for one, which had been partially implemented at the financial year end.
12. The s151 officer has undertaken a review of the effectiveness of the Council's system of internal control, as required by the Accounts and Audit Regulations 2015. Section 3 of the Regulations state that:

*A relevant authority must ensure that it has a sound system of internal control which—*

*(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*

*(b) ensures that the financial and operational management of the authority is effective; and*

*(c) includes effective arrangements for the management of risk.*

Section 6 of the Regulations requires that:

*A relevant authority must, each financial year; (a) conduct a review of the effectiveness of the system of internal control required by regulation 3.*

13. In conducting his review the s151 officer observed the following matters:
  - The Council has an extant Corporate Plans and Business Plan, together with other supporting strategies and policies that provide direction and guidance to the effective exercise of its functions and fulfilment of its objectives
  - The Council has well established governance and protocols that ensure that there is adequate oversight over decision making and that decisions are supported by appropriate legal and financial clearances;
  - Controls over decision making are balanced with use of delegations to ensure that decision making is not overly bureaucratic and can be conducted on a timely basis
  - Financial management of the Council is based on the Financial Regulations and Financial Procedure rules that cover procurement and expenditure matters; these rules are reviewed regularly and overseen by an experienced and well qualified team
  - Financial management and control processes are also underpinned by the internal audit function and the role of Members through the Cabinet, Committee and Scrutiny processes
  - Risk management processes are recorded and managed both at Member level, through the auspices of Cabinet and the Audit Committee, and amongst senior officers through the regular Corporate Management Team risk management workshops
  - Generally, in the opinion of the s151 officer the Council member and officer groups, have sufficient independence, experience, capability, capacity and qualifications to ensure that segregation of duties exist, that decisions are adequately supported and robustly challenged
  
14. In respect of risk management it may be noted (as referenced elsewhere) that the Council is to update its risk management approach in the light of feedback from the 2018 Peer Challenge. However, the s151 officer did not consider existing arrangements were defective in the context of the Councils internal control framework.
  
15. Based on his review the s151 officer concluded that the Council's system of internal control was effective.
  
16. Senior managers, and the Audit Committee and Performance Scrutiny Panel are responsible for receiving and considering regular monitoring reports in respect of the risk management framework, the performance management framework, and the work of Internal Audit. The Audit Committee also receive and consider any reports arising from the work of the external auditors.

17. These arrangements and processes ensure that the Council's corporate governance and internal control arrangements are kept under regular and ongoing review throughout each financial year.
18. Additionally, as part of the process to produce the Annual Governance Statement, a comprehensive review of all sources of evidence, including external review, audit and inspection work undertaken during the year, has been undertaken.
19. The Council commissioned a 'peer challenge' by the Local Government Association, which took place during March 2018. The review made a number of key recommendations, which were to:
  - Review vision of place for Charnwood Borough,
  - Articulate a clear strategic sub-regional vision without losing focus on delivery locally,
  - Review priorities and realign capacity to support ambition,
  - Develop a transformation and digital plan that is integrated to further unlock efficiencies and drive service improvements,
  - Develop a benefits realisation plan, with clear linkages to the MTFs, to reflect efficiency opportunities,
  - Build on the draft Asset Strategy to align to the MTFs, council's transformation and regeneration agenda,
  - Establish risk appetite and strengthen approach to risk management,
  - Articulate a clear plan to meet the entirety of the financial gap ensuring that the council's approach to commercialisation is clear and embedded,
  - Embed a consistent performance management approach to support delivery,
  - Develop an action plan to take forward CfPS recommendations as a quick win,
  - Do it all with pace!
20. The CfPS recommendations referred to within the peer challenge recommendations relate to a review of the Council's scrutiny arrangements by the Centre for Public Scrutiny which also took place during the year, and which made the following recommendations:
  - Review and agree scrutiny's role and purpose, and ensure that this role and purpose is well understood,
  - Clarify the role of cabinet members in respect of scrutiny to ensure a clear process of holding to account,
  - Scrutiny Chairs to lead a process to develop a clear view of what's needed to enable 'good scrutiny',
  - Refresh the work planning programme process, allowing scrutiny to focus on the most important issues for residents and the council,
  - Be creative in the approach to scrutiny and experiment to engage more widely and hear different voices,
  - Review the structure of scrutiny committees with the aim of making them more outcome focused,
  - Devise a more effective approach to monitoring impact,

- Consider how to maximise the support resource available to scrutiny.
21. The annual audit letter issued by KPMG LLP for 2016/17 did not identify any significant internal control issues.

### **Assurance Opinion**

22. The Council considers that the governance arrangements in place during 2017/18 provided a significant level of assurance, and continue to be fit for purpose, subject to taking action during 2018/19 to address the recommendations arising from the LGA peer challenge and the CfPS scrutiny review.

### **Action Plan For 2018/19**

23. The following actions have been identified for 2018/19:
- Produce and implement an action plan to address the recommendations arising from the LGA peer challenge,
  - Produce and implement an action plan to address the recommendations arising from the CfPS scrutiny review.

### **Progress Against Actions Raised In The Previous Year's Annual Governance Statement**

24. The Audit Committee approved a revised Code of Corporate Governance in September 2017, which supports the core principles of good governance as set out in the CIPFA/SOLACE Framework.

### **Conformance With The Governance Requirements Of The CIPFA Statement On The Role Of The Chief Finance Officer**

25. The Chief Financial Officer of the Council is the Strategic Director of Corporate Services. This role is one of four that comprise the Council's senior management team and reports directly to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.
26. The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The efficacy of the control environment can be evidenced through the Council's recent history of financial outturns, and the timeliness and quality of its financial statements and other financial returns.
27. The Chief Financial Officer is the Council's Section 151 Officer (from section 151, Local Government Act 1972) and in accordance with the statutory requirements covering this role has an appropriate accountancy qualification, being a member of the Institute of Chartered Accountants in England and

Wales. The Deputy Section 151 Officer (who is the Council's Head of Finance and Property) is a member of the Chartered Institute of Public Finance and Accountancy. Both have significant experience in local government. In the view of the Chief Financial Officer, the Council's finance function is considered adequately resourced and contains a mix of staff with appropriate levels of professional qualifications and experience.

28. In the opinion of the Chief Financial Officer the authority's financial management arrangements conform with the requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*.

### **Conclusion**

29. The Council is committed to the principles of sound and effective governance, and will continue to monitor implementation as part of the next annual review.

.....

**Geoff Parker**  
**Chief Executive**

Date:

.....

**Councillor Jonathan Morgan**  
**Leader of the Council**

Date:

## **Summary of Charnwood Borough Council's Governance Framework Arrangements**

The key elements of the Council's governance framework are as follows: -

- ◆ 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.
- ◆ 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.
- ◆ Policies determined during the financial year are approved by Council or Cabinet as appropriate following thorough consultation with key stakeholders and the local community where appropriate.
- ◆ A corporate complaints procedure is in operation, and is appropriately publicised via the Council's website and other means. All complaints are investigated and corrective action taken to improve processes and procedures where appropriate. The complaints procedure has been subject a scrutiny review, and recommendations for improvements have been implemented.
- ◆ A sound system of internal controls is in place to ensure value for money is obtained and that funds and resources are used appropriately. This includes detailed Financial Regulations, and supporting Financial Procedures, which are reviewed and updated periodically.
- ◆ The Council's constitution sets out the terms of reference for all member committees, including executive and decision making functions, and the scrutiny function.
- ◆ A member/officer protocol is in place which sets out the expectations and processes that are in place to ensure effective and constructive working relationships.
- ◆ A scheme of delegation has been approved and is regularly updated, which clearly sets out which responsibilities have been delegated to officers, and how these delegations should operate and be recorded.
- ◆ Codes of conduct are in place for members and officers, which clearly specify the required standards of conduct and behaviour, and which require the declaration of any personal interests which may conflict with the interests of the Council.

- ◆ Registers are maintained to record any declarations of interest made by members or officers.
- ◆ A 'whistle-blowing' policy is in place for any members, officers or other parties to report suspicions of fraud or other irregularities, and all such reported instances are investigated thoroughly.
- ◆ A Member Conduct Committee is in place to oversee the process for any allegations relating to the behaviour or conduct of members.
- ◆ A Code of Corporate Governance is in place which sets out the Council's approach towards, and requirements for achieving good corporate governance.
- ◆ 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.
- ◆ A scrutiny function is in place which has the right to call-in any executive decisions for comment and challenge.
- ◆ 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 by Cabinet, and 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.
- ◆ A regular personal review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.
- ◆ A Member Development Strategy has been approved and there is an ongoing programme of training courses for councillors. An intensive induction programme is in place for new councillors.
- ◆ Thorough and rigorous recruitment and selection processes for officers are in place, and workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.
- ◆ The scrutiny function consists of a Scrutiny Management Board, an Overview Scrutiny Group, a Policy Scrutiny Group, and a Performance Scrutiny Panel. Other scrutiny panels are set up to examine issues on a task and finish basis.
- ◆ The Audit Committee has responsibility for overseeing the production of the annual statement of accounts, and for the work of Internal Audit. The committee aims to fulfil the core functions of an audit committee as recommended by the Chartered



Institute of Public Finance & Accountancy, and is chaired by an independent person who has appropriate experience and qualifications.

- ◆ The Council has an Internal Audit function which operates in accordance with appropriate requirements and guidance, and which is responsible for providing assurance on the adequacy of internal control and risk management arrangements.
- ◆ The Council has identified all of its significant partnerships, and has undertaken a risk assessment for all of these partnerships, including ensuring appropriate governance arrangements are in place.
- ◆ Appropriate employment policies and procedures are in place to ensure responsibilities to staff are met and that employment legislation is complied with. These include disciplinary and capability policies.
- ◆ Appropriate mechanisms are in place to measure quality of service to users, including use of the 'Govmetric' satisfaction monitoring tool for all major access channels.
- ◆ Compliance with internal policies and procedures is ensured by various means, including management checks and the work of Internal Audit.

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My ref: SJ/LKT/Letterrep

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17th July 2018

Dear Mr Crawley

This representation letter is provided in connection with your audit of the financial statements of Charnwood Borough Council ("the Authority"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and

- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

#### **Information provided**

4. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
  - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) Allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and*

*Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
10. The Authority confirms that:
  - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and
  - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 17<sup>th</sup> July 2018.

Yours faithfully,

Mr Bev Angell  
Chair of the Audit Committee

Simon Jackson  
Director of Corporate Services

## **Appendix to the Authority Representation Letter of Charnwood Borough Council: Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- A Expenditure and Funding Analysis
- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

### **Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.