



# **STATEMENT OF ACCOUNTS 2018/19**



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## **APPROVAL OF THE ACCOUNTS**

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

**Councillor  
Chairman, Governance and Audit Committee  
24 July 2019**

## NARRATIVE REPORT

### Introduction by Portfolio Holder for Finance and Assets



The Statement of Accounts sets down another successful year of delivering our priorities within available resources. The Accounts and the overall financial health of the Council demonstrate the success of the Council in responding to austerity whilst protecting services to residents and businesses and investing in our priorities (especially in the area of capital investment).

The Council has been able to continue to deliver the everyday services people value, attract inward investment and support the vulnerable. Our performance remains strong and sustained, for example, the Council remains the best performer in Leicestershire in respect of Council Tax and Business Rate collection.

We continually review our services to identify opportunities for improvement, engagement with residents and businesses and for further efficiencies. This is delivered through applying robust financial discipline and rigour to our finances and how we manage and communicate them. Budgets are continually monitored and reported every quarter allowing for budget variances to be quickly addressed and opportunities identified. Robust business cases are developed for capital schemes and major change programmes.

The Council has delivered a surplus in 2018/19, delivering on stretched income targets and achieving savings and efficiency targets. The Executive receive regular reports and during the year have responded proactively to opportunities such as the setting up of a wholly owned local authority company for the acquisition of two supermarkets in Market Harborough. Securing of European Regional Development Fund (ERDF) and Leicester & Leicestershire Economic Partnership (LLEP) funding has also allowed us to commence our exciting 'Grow On Space' for SMEs.

I wish to thank the Council's finance team who have produced these comprehensive and complex set of accounts. I also want to thank the Executive and all Members of the Council for their support in ensuring that Harborough District Council remains in robust financial health and well placed for future challenges.

**Cllr James Hallam,  
Portfolio Holder for Finance and Assets**

## Introduction by the Chief Finance Officer



Welcome to the Council's Statement of Accounts for the year ended 31st March 2019 which details the financial position of the Council. The Narrative Report outlines the main issues impacting on the Council in 2018/19 and also provides a summary of the financial position at 31st March 2019.

The Council's accounts are required to be produced by the 31<sup>st</sup> May 2019 and to be audited by the 31<sup>st</sup> July 2019. The Accounts and Audit Regulations 2016 now require a common 30 day public inspection period that must include the first 10 days of June. The External Auditor, Mazars are scheduled to commence the audit of accounts on 25th June 2019.

The statement of accounts has been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code). It aims to provide relevant information to ensure that the financial position of the Council is presented as a true and fair view and to assure the reader of the accounts that the financial position of the Council is sound and secure. The requirements of the Code require significant disclosure notes with the consequence that the accounts are lengthily and complex. The Narrative report seeks to highlight the key issues in 2018/19 for the reader who can then seek more detailed explanations in the key financial statements and disclosure notes.

The narrative report aims to provide context to the accounts in respect of the 2018/19 financial outturn, the overall financial position of the Council and to place the Council's finances in the context of its Corporate Plan, priorities and achievements. The Council has through continued strong financial management contained spend within budget and retains a strong Balance Sheet to meet future challenges.

If you have further queries on the 2018/19 Accounts please contact the Council's Finance Team at [hdcfinance@harborough.gov.uk](mailto:hdcfinance@harborough.gov.uk)

These Accounts have been prepared against a challenging timetable and alongside the Portfolio Holder I wish to thank our professional finance team for responding professionally.

**Simon Riley BA CPFA**  
**Head of Finance and Corporate Services (S151 Officer)**

## **District Context**

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

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

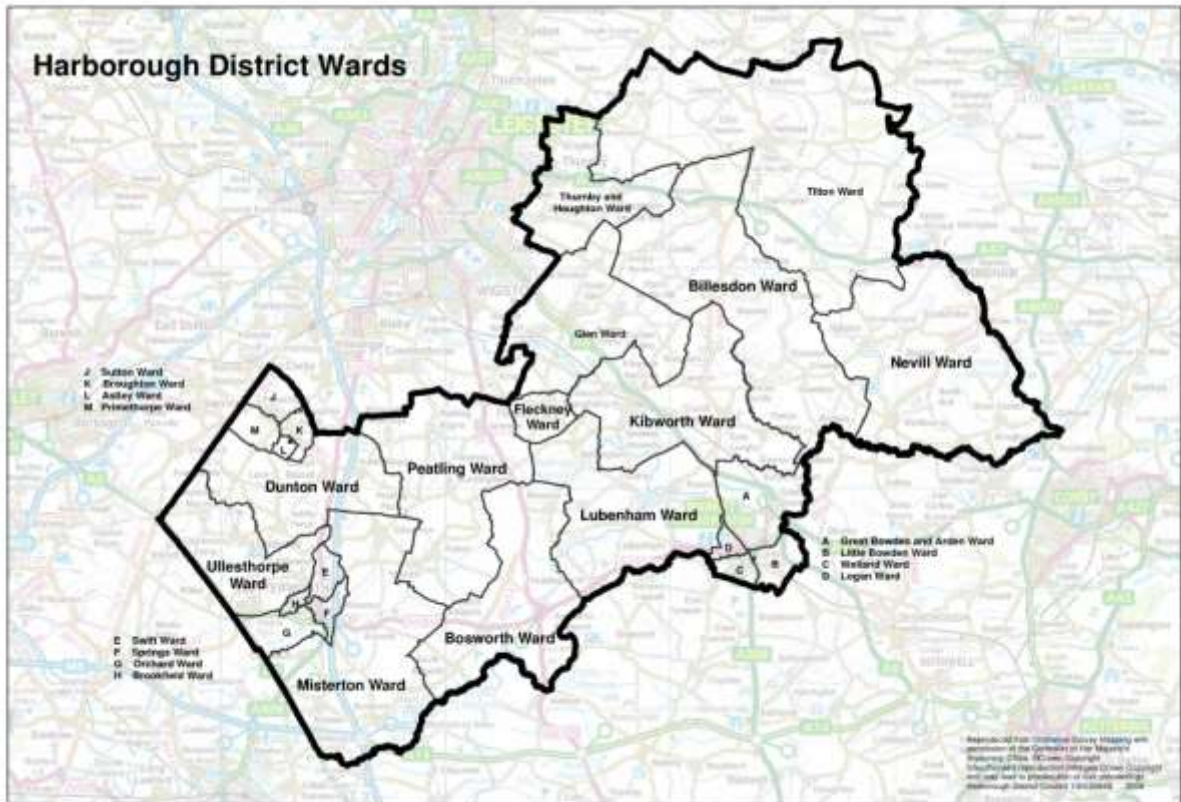
Harborough's rural nature, and its proximity to London by rail, makes it an increasingly attractive place for commuters to live. It is likely that alongside this, an increasing number of businesses setting up in Harborough have either links to, or clients in London. The current population of the District is estimated to be 91,500. The District is expecting a significant increase in the population by 2033 and has a buoyant demand for supply of housing estates. A particular challenge is the increase in the elderly population. The Council works in partnership with others through the Better Care Fund and Lightbulb Project to plan for services to meet the needs of older people.

There are approximately 5,750 active businesses within Harborough District. Businesses in Harborough District are predominantly small, 74% of rural and urban businesses employ 0-4 people. Only 6% of local businesses employ 20+ people. The major employers are at Magna Park near Lutterworth.

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

## **Political Structure**

The Council operates a Strong Leader Executive Model. During 2018/19 the Council comprised of 37 Members in a mixture of single and multi-member wards. From May 2019 the Council reduced from 37 Members to 34 Members following adoption of the Boundary Commission recommendation.



The political make-up of the Council at the end of 2018/19 was

Political Party	Number of Councillors
Conservative	28
Liberal Democrats	9
Total	37

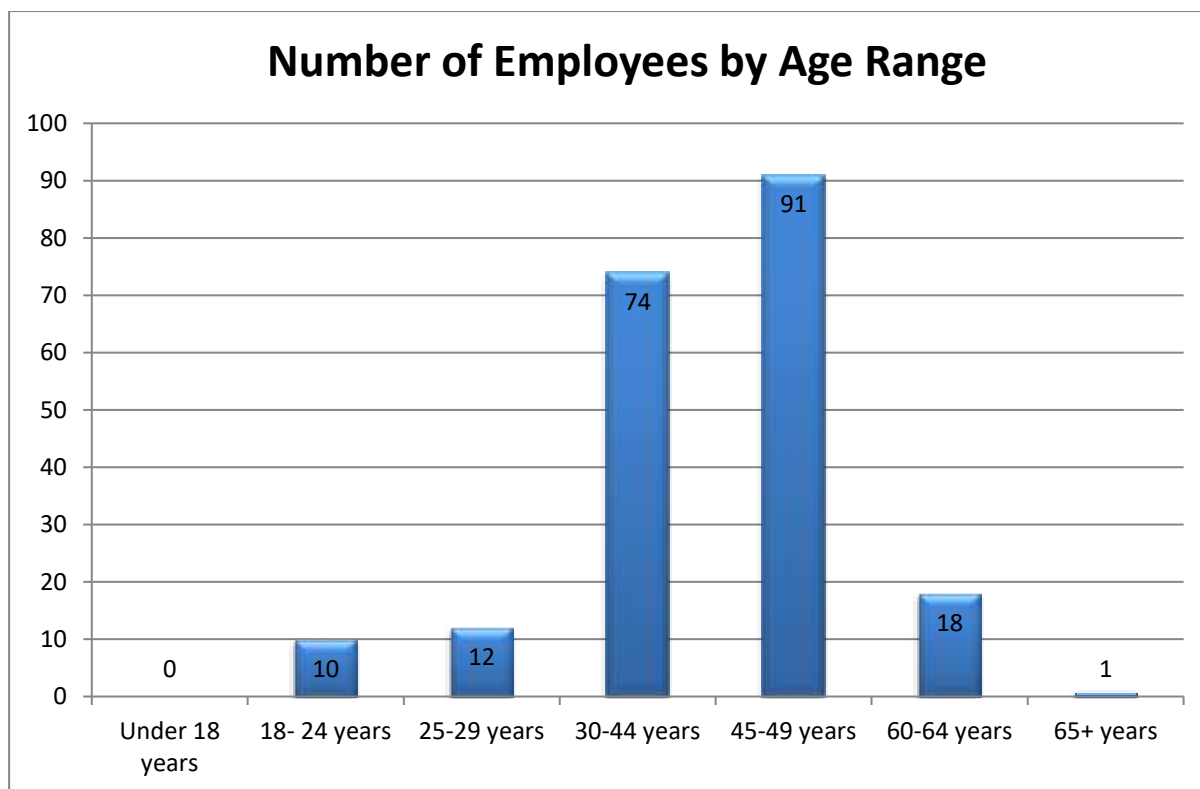
The leader of the Council during 2018/19 was Councillor Neil Bannister and the Portfolio holder for Finance and Assets was Councillor James Hallam.

Harborough District is represented by three MPs, Mr Neil O’Brian, Rt Hon Sir Alan Duncan and Mr Alberto Costa.

**Council Workforce and Management Structure**

The Council had 206 employees at 31 March 2019 who are primarily based at The Symington Building, Market Harborough, but also in the Leicestershire Revenue and Benefits Partnership based in Hinckley. The Council also provide parking enforcement services to other Councils; these are detailed in Note 44 of the accounts.





Of the total number of employees, 30.1% are male and 69.9% are female.

A key challenge for the Council due to its' profile of staff is succession planning to meet the needs of the Council in the future. The Council continue to invest in apprenticeships (6 in total) and in management and leadership through its Team Leader programme. During 2018/19 all managers have commenced a coaching qualification.

The Council has been successful in recruitment to key posts and has been able to reduce its reliance on agency and interim staff during 2018/19. Agency staff are still appointed on a short term basis to meet service demands.

The Council is managed by the Corporate Management Team comprising of two Joint Chief Executives and five Heads of Service.

#### **Effectiveness of Control and Governance Framework**

The Council has produced its Annual Governance Statement alongside the Statement of Accounts. This demonstrates the internal control and Governance frameworks operable during 2018/19. Overall the Council's self assessment and annual Head of Internal Audit report evidence through audit, testing and assurance frameworks that the Council operated as intended in 2018/19 in order to deliver the Council's priorities. No incidences of fraud were reported or identified in year. The Council's fraud capacity is now enhanced though being part of a fraud intelligence hub led by Leicester City Council. A key focus for 2019/20 is to seek positive assurance through testing of the Council's ICT Business Continuity/Disaster Recovery arrangements.

## **Council Vision and Priorities**

The Council adopted the following Vision and Outcomes for 2018/19 onwards. Key Activities are detailed in the Corporate Delivery Plan

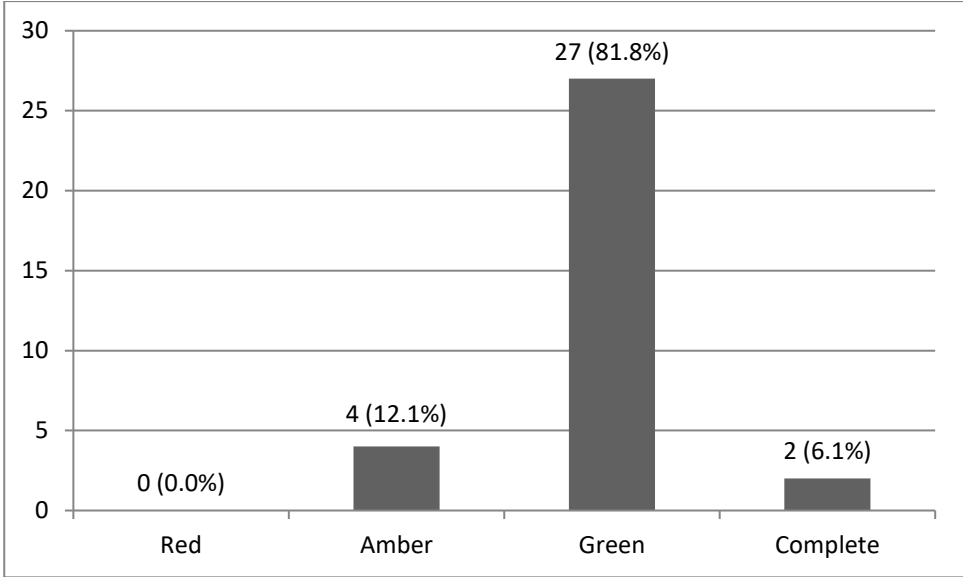


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## **Performance of the Council**

The Council has continued to deliver its stated priorities within budget and on time. 33 Key Activities were set for 2018/19 with 87.9% complete or progressing in line with agreed milestones.

Figure 1 Status of Key Activities, End of Quarter 4 of the 2018/19 year



Key Achievements in 2018/19 against the Council priorities were:

**Against the Your Council priority we have....**

- Taken part in an LGA Peer Challenge which found that the Council is able to continue to deliver high quality services by understanding the community, working with partners and having good business intelligence.
- Made efficient use of unutilised land to provide additional affordable homes across the district.
- Successfully launched the Harborough District Community Lottery with around 50 good causes benefitting from it.
- Supported a number of local campaigns and initiatives including: rural policing, motor neurone disease, national emergency services day, rail improvements and plastic reduction.
- Joined in partnership with two other local authorities to proactively understand the needs of the Armed Forces personnel and provide support where required.
- Been shortlisted in two categories in the Leicestershire Tourism and Hospitality Awards 2018.
- Taken part in the Leicester Comedy Festival Big Weekend and won an award.

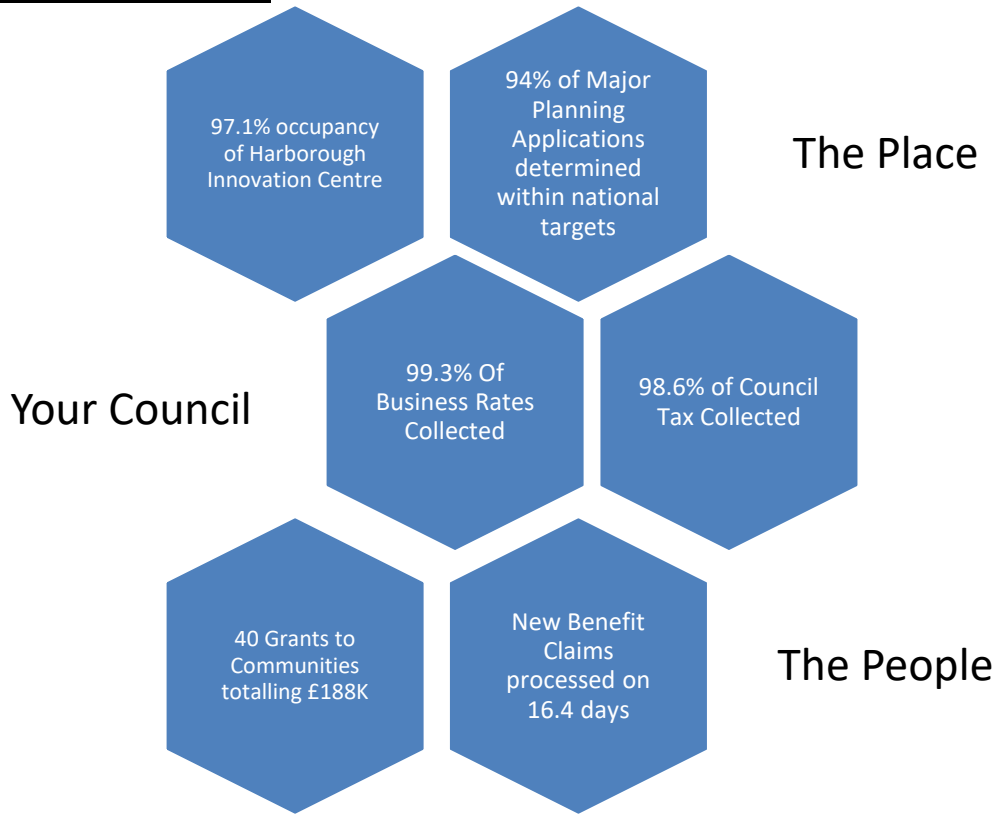
### **Against the People Priority we have .....**

- Improved play areas for young people across the district through installing £265K of play equipment, including a specialist sensory play facility.
- Supported sporting activities across the district at which there were over 25,000 attendances.
- Marked the centenary of WWI with the installation of silhouettes, benches and street names to honour local service men.
- Organised the unveiling of a plaque for 'forgotten' war hero Private Coleman.
- Celebrated the 100-year anniversary of votes for woman through the commissioning of art work and other activities across the district.
- Improved local community infrastructure and facilities across the District by awarding almost £70K of Section 106 grants.
- Supported the national scheme to provide a home for refugees fleeing war-torn Syria.
- Worked with parishes to develop Neighbourhood Plans, eight of which went to neighbourhood referendum.

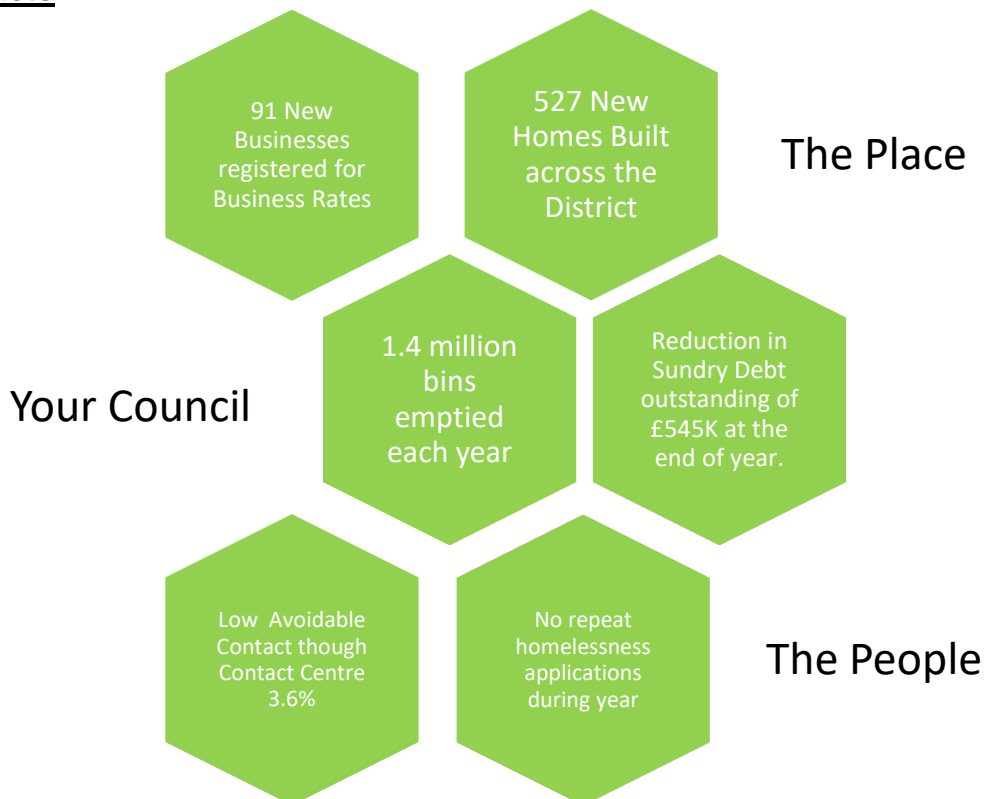
### **Against the Place Priority we have ...**

- Successfully obtained funding from the ERDF and LLEP for the Grow on Space which demonstrates our support to the economy and growth across the district for our business community.
- Produced a Local Plan which was subject to public consultation.
- Raised awareness of how to report incidents of fly-tipping which has enabled us to undertake effective enforcement actions across the district.
- Worked hard to ensure the interests and needs of our residents were captured to influence the Strategic Growth Plan.
- Ensured continued provision of leisure facilities.
- Facilitated events for local businesses with MPs to ensure that awareness of local issues is raised at national level.
- Offered training and support to local retailers around digital marketing and social media opportunities.
- Organised a range of community events which have provided support to local

**Performance Highlights**



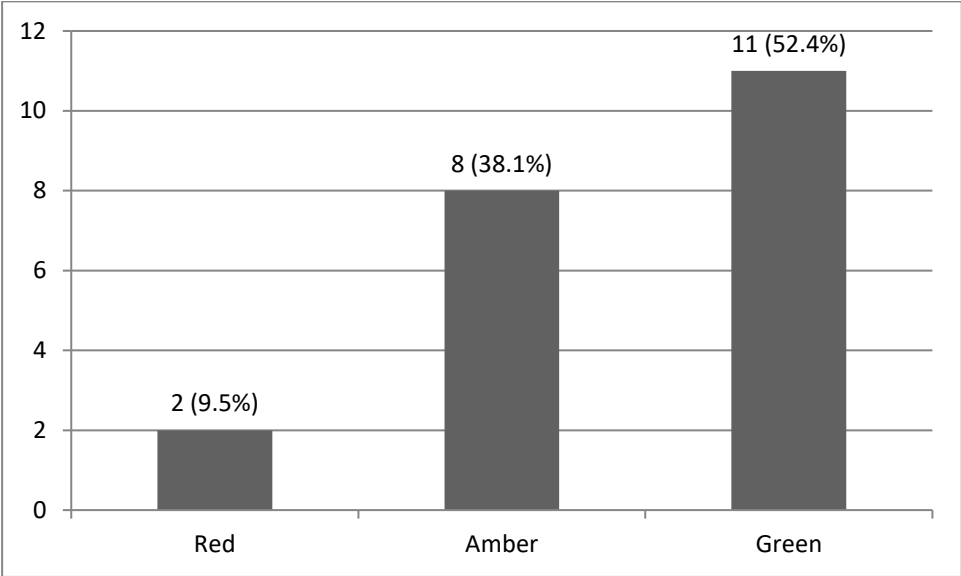
**Key Facts**



Council Performance has been reported quarterly to Executive with the Quarter 4 position being due to be considered by the Council's Executive on 1<sup>st</sup> July 2019.

**Risk and Opportunity Management**

The Council actively managed its risks during 2018/19 including the effectiveness of controls and other mitigation actions. Two Risks were identified as Red (High Risks) at the end of 2018/19 and two Corporate Risks were closed during 2018/19.



The two red risks related to the uncertainty following the United Kingdom's imminent departure from the European Union (where there are limited mitigations available until resolution nationally) and the costs of planning appeals and legal challenges exceeding budget. This risk was red at the end of 2018/19 but will reduce in future due to the Magna Park appeal being determined.

Risks and opportunities have been reported quarterly to Executive with the Q4 strategic risk register due to be considered by the Council's Executive on 1<sup>st</sup> July 2019.

The Council during 2018/19 continued its drive towards financial sustainability through investment in Property Funds and acquisition of commercial property investments. To deliver the Commercial property acquisition the Council set up a wholly owned local authority company, Harborough District Commercial Services Limited which currently is the landlord of two supermarkets and five residential flats. The transactions of the company are reflected in the new Group Accounts section in the Statement of Accounts.

**Revenue Budget**

During 2018/19 the Council continued to deliver its priorities and desired outcomes within the approved budget.

The majority of spend is contained within Portfolio Budgets for the day to day operations of the Council. Each portfolio has a lead Executive Member. The Total Net Expenditure by Portfolio is:

<b>2018/19 Revenue Budget</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Portfolios</b>			
Corporate Governance	4,834	4,158	(676)
Community Safety	261	239	(22)
Strategy and Communication & Economic Development	550	444	(106)
Finance and Assets	1308	1,196	(112)
Planning, Regeneration, Housing	906	676	(230)
Environment & Regulation	3,832	3,864	32
Wellbeing & Localities	494	475	(19)
Harborough District Commercial Services Trading Account	0	66	66
Contingency	90	0	(90)
Vat Shelter	(10)	(10)	0
<b>Total Net Expenditure on Services</b>	<b>12,265</b>	<b>11,108</b>	<b>(1,157)</b>

This represented a £520K movement from the financial position reported at the end of Quarter 3 and includes expenditure budgeted for in 2018/19 deferred to 2019/20 that will be considered as a carry-forward request by the Executive at their meeting on July 1st. The surplus was generated both from the success of the Council in income generation (in many cases above target) and robust financial management (e.g. managing vacancies, procurement savings etc.) The majority of the year end variances had been accurately reported throughout the year.

The outturn variance includes the following:

	<b>£000s</b>	
<b>Surplus on Net Expenditure on Services</b>	<b>(1,157)</b>	<b>This represents a 9.4% surplus of Revised Budget</b>
<i>Explanations of Key Variances</i>		
Development Management	265	Transfer to Reserves agreed Quarter 2
Neighbourhood Plan	115	Transfer to Reserves agreed Quarter 2
Local Plan	151	Slippage
Major Projects Contingency	171	Carry Forward Request into 2019/20 to be submitted
Corporate Contingency not required	90	Contributes to In-year surplus
Other Carry Forward Requests	96	To be submitted
<b>Surplus on Net Expenditure on Services after key Variances</b>	<b>(269)</b>	<b>This represents a 2.2% surplus of Revised Budget</b>

Budget variances have been reported quarterly to Executive with the final outturn due to be considered by the Council's Executive on 1<sup>st</sup> July 2019.

The Council has not been required to borrow money to fund its Capital Programme (this has been the case since 2008) and therefore has made savings in the cost of borrowing and repayment of External Debt of £255K against the budget – this was reported to the Executive during the year.

During 2018/19 a thorough review of the provision set aside for business rate appeals was undertaken reflecting settlement of a number of appeals by the Valuation Office and an assessment of potential liabilities for the future. This has resulted in an increased surplus on the funding available to fund the budget from this review which has been transferred to a Business Rate retention reserve in line with previous years. The contribution to the reserve in 2018/19 was £2.436 million (£721K in 2017/18). The increased contribution from the provision for business rate appeals was anticipated. (The original budget set in February 2018 assumes a retained levy of £967K) and has been factored into the setting of the 2019/20 budget.

The Council is a member of the Leicester and Leicestershire Business Rate Pool in 2018/19 which allows local retention of business rate growth. An equal amount to the contribution to the business rate growth retention reserve (£2.436 million) has been transferred to the LLEP for allocation.



## Revenue Reserves

The appropriations to/from reserves made during 2018/19 are:

Revenue Reserve Movements	Earmarked Reserves	General Reserve Fund	General Fund
		£000's	£000's
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Opening Balance</b>	<b>5,175</b>	<b>941</b>	<b>6,517</b>
Contributions to Reserves	3,205	144	206
Contribution from Reserves	(2,511)	(150)	0
<b>Sub Total</b>	<b>694</b>	<b>(6)</b>	<b>206</b>
<b>Closing Balance</b>	<b>5,869</b>	<b>935</b>	<b>6,723</b>

Details of the earmarked reserves are shown in Note 9 of the Accounts.

The budget assumed the drawdown of £961K from the General Fund Balance to support the budget. The outturn has provided for a net contribution of £206K to the General Fund rather than a drawdown of £961K as budgeted (including carry forwards from 2017/18). This is reflected in the above table and incorporates the surpluses detailed earlier in this narrative report.

## Technical Adjustments

The Council monitors its budget on the basis of Net Direct Expenditure (per the table above) whilst the Accounts incorporate charges for Capital Charges and Pension Costs and other adjustments. The movements between Total Net Expenditure on Services and the Net Costs of Services in the accounts are detailed below:

	£000s
<b>Total Net Expenditure on Services (Management Accounts)</b>	<b>11,108</b>
Capital Charges	1,648
Pension Costs	1,132
Other Movements	132
<b>Net Cost of Services (Statutory Accounts)</b>	<b>14,020</b>

Overall, the financial performance of the Council remains strong with a healthy and stable balance sheet. There remains significant uncertainty nationally over future funding

streams (detailed later in the narrative report) for which the Council’s overall financial position will allow a planned response when national funding levels are announced.

**Capital Investment**

The Council continues to make significant investment within the District as part of an ambitious Capital Programme approved in February 2018. The Revised Budget was £8.186 million. At the end of 2018/19 £7.152 million has been spent. Further slippage of £886K will be considered by the Executive to be carried forward into 2019/20. Therefore, there was a £148K underspend against the approved 2018/19 Capital Programme.

Key Capital Outcomes delivered during the year were:

**Supporting Vulnerable People**



The Council through the Lightbulb Programme spent £467K on Disabled Facilities Grants to allow people to remain in their own homes.

**Promoting Economic Growth**



The Council is building a £7.8 million Grow On Space to allow Small and Medium Enterprises (SMEs) to develop their businesses building on the success of the Harborough Innovation Centre. The Council was successful in securing £4.3 million of external funding from the ERDF and the LLEP.

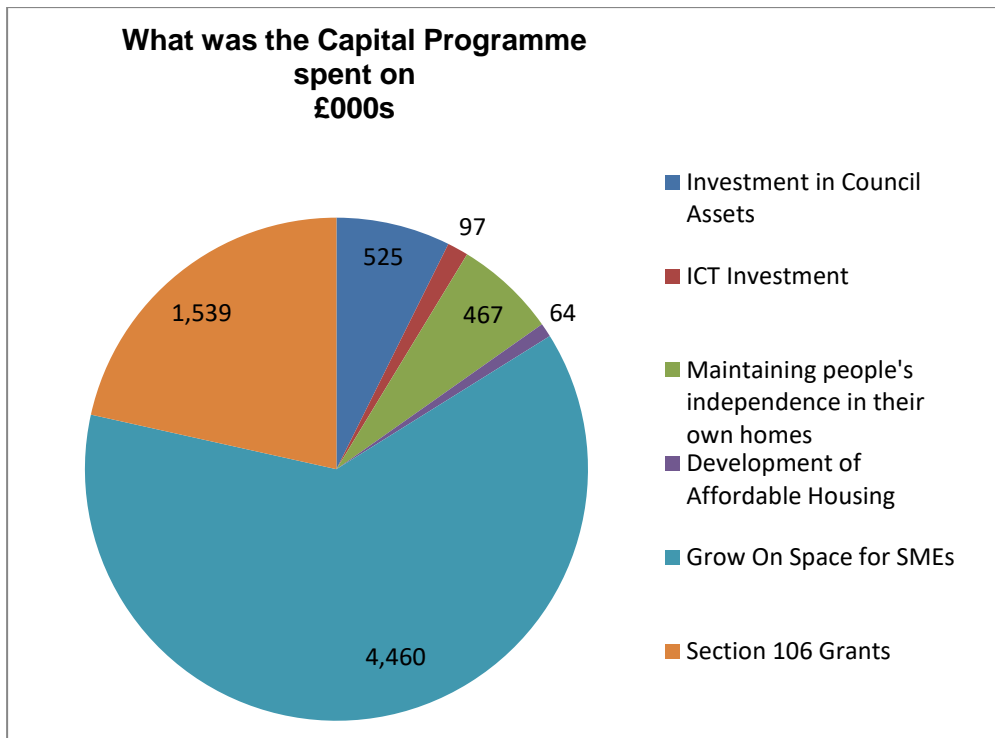
**Investing in Communities**



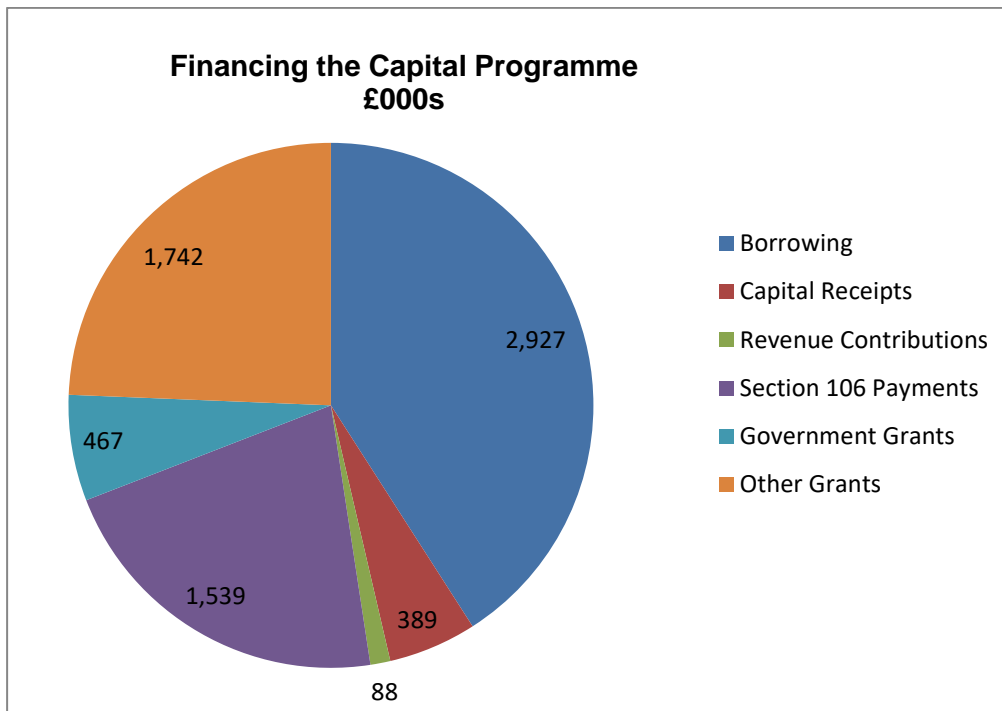
The Council has made £1.471 million of Section 106 contributions to communities during 2018/19. Further investment of £265K was invested in refurbishment of play areas.

## Delivery of Capital Programme

The Council spent £7.152 million on Capital Schemes in 2018/19. This was less than the planned budget due to some additional slippage identified in Quarter 4.



The Capital Programme was funded as below:



The Council is currently under-borrowed through using internal investment cash to offset more expensive borrowing. The borrowing detailed above is therefore permission to borrow in the future as no borrowing was undertaken in 2018/19.

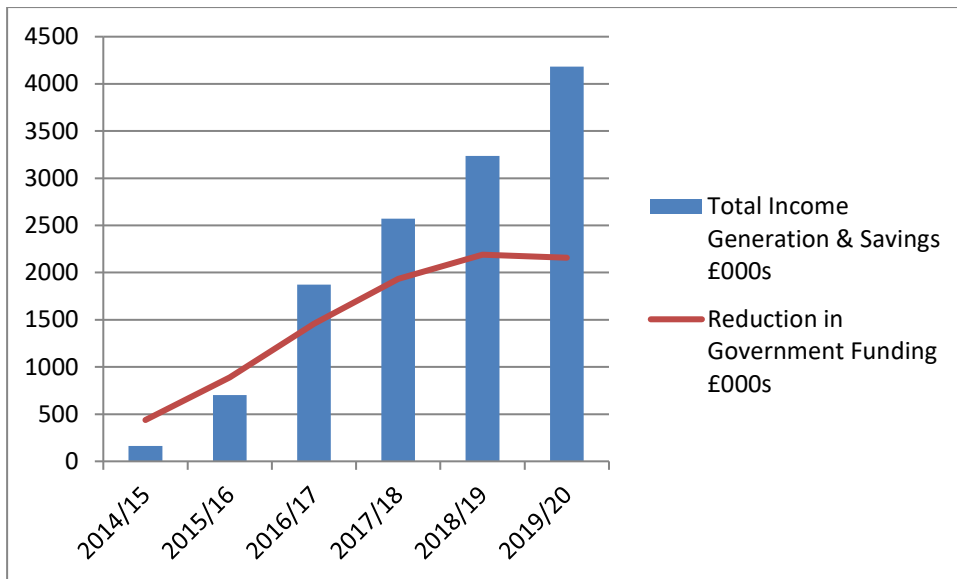
During the year the Council formed a limited company, Harborough District Commercial Services Ltd for the purpose of making strategic land purchases and economic redevelopment. The initial property acquisition has been funded through a mix of £2.150 million in share capital equity and a long term loan of £1.832 million.

### **Financial Strategy**

The Council has an approved Medium Term Financial Strategy (MTFS) to 2019/20. The overarching objective behind the MTFS is to ensure that the Council's financial resources are applied in a manner which achieves the strategic priorities set out in the Corporate Delivery Plan. By striving to ensure the costs of delivering its service objectives over the term of the strategy are commensurate with the overall forecast financial resources available, the Council can maintain the financial health of the authority in a manner which does not place an unreasonable burden on local taxpayers. The Council in 2018/19 was in year 3 of the 4 year previously agreed Efficiency Plan which secured funding guarantees from the Government over this period.

The Council's MTFS planned to use reserves and prior year surpluses to manage the impact of reductions in Government and partner organisation funding. Through robust financial management the Council has managed to add to the General Fund Balance in this period rather than drawdown resulting in a healthy financial position to address future year's funding volatility.

Indeed, through a planned efficiency and income generation programme it has been possible in recent years to propose and deliver significant savings which is greater than the reduction on Government funding – this has allowed investment in priorities. All figures in the table below are cumulative.



The Council has continued to focus investment in 2018/19 into priority areas of Economic Development, Planning and Smarter Services.

Looking forward, the Council is on target to deliver £947K of savings and income generation proposals in 2019/20. The agreed budget for 2019/20 also allowed the Council to reduce its utilisation of General Fund Balances to support Reserves from £394K in 2018/19 to £53K in 2019/20. The Council is seeking further net efficiencies in 2020/21 to address increased cost pressures, for example to respond to potential changes in funding linked to the Government's fair funding review and changes to the business rate retention scheme and the potential pay award of 2%.

The Council is developing and implementing its property and commercial strategies to deliver income generation as part of the Council's drive towards financial sustainability. Further commercial acquisitions and development of housing have been factored into the Capital Programme 2019/20 to 2021/22.

In setting the budget for 2019/20 it is considered that the risk of delivery of savings and income are managed and mitigated.

Through robust financial planning, financial management and a strategic set of Corporate Priorities and outcomes the Council is confident that it will continue to operate as a Going Concern in the future.

### **Financial Statements**

- **The Comprehensive Income and Expenditure Statement** – reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The surplus on the provision of services totalled £1.140 million (deficit of £1.325 million in 2017/18).

- **The Movement in Reserves Statement** – show the movement during the year between the Council’s “usable reserves” (i.e. those that can be used to fund expenditure or reduce Council Tax) and “unusable reserves”. The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council’s services. Also included are adjustments to ensure the General Fund balance is only charged with statutory expenditure plus contributions to/from earmarked reserves. The Council’s usable reserves total £18.285million (£15.723 in 2017/18).
- **The Balance Sheet** – shows the Council’s overall financial position at the financial year end. It shows assets and liabilities at the top and the Council’s reserves (net worth) to match them. Our Net Worth is £27.064 million (£15.059 in 2017/18) with the movement between years mainly accounted for by the following:
  - (a) Valuation of Long term Property Assets: The balance sheet non current assets relate to land, property, plant and equipment and includes acquisitions and enhancements, changes in valuations and disposals. The value within the Accounts is £53.770 million, an increase of £18.431 million from 2017/18. A full valuation of the Council’s assets was undertaken in 2018/19, the significant movement is due to increases in the Building Cost Information Service (BCIS) Location factors since the previous full asset revaluation.
  - (b) Liabilities: A major liability included within the long term liabilities relates to the deficit on the pension fund which amounts to £35.512 million an increase of £6.778 million from 2017/18, this can be attributed to changes to actuarial financial assumptions. Further information on Pensions can be found within Note 47 of the Statement of Accounts.
  - (c) Provisions: The Council has made provision for valuation appeals still not settled by the Valuation Office of £2.899 million. This is a decrease of £851K from 2017/18. See note 26 of the Statement of Accounts.
  - (d) Cash and Cash Equivalents: The cash in the Council’s Bank current accounts has increased by £831K from 2017/18. This is primarily a timing issue.
- **The Cash Flow Statement** – a summary of the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet. This shows an increase in cash and cash equivalents of £831K.
- **The Collection Fund** – shows the transactions of the Council in relation to non-domestic rates and council tax. It illustrates the way in which these have been distributed to precepting authorities and the Council’s General Fund.
- **Group Accounts** - This shows the consolidation of the newly created company Harborough District Commercial Services Limited.

The Accounts are prepared on the basis of an internal materiality level of £475K.

## **Summary**

This Narrative Report aims to provide an overview of the Council's financial and non financial performance for 2018/19, alongside priorities for the future that are inextricably linked to the MTFs and the need to respond to changes in financing and the delivery of Council priorities.

The Statement of Accounts for 2018/19 present a true and fair financial position of Harborough District Council for the financial year ended 31st March 2019. Up to date and proper accounting records have been maintained in accordance with the accounting policies detailed.

**Simon Riley BA CPFA**  
**Section 151 Officer**  
**24 July 2019**

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The authority is required:

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

## Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for preparing Harborough District Council's Statement of Accounts to present a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31 March 2019, according to the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## SECTION 151 OFFICER'S CERTIFICATION

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

I have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as I have determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**I certify that the Statement of Accounts gives a true and fair view of the financial position of Harborough District Council as at 31 March 2019 and its income and expenditure for the year then ended.**

**Simon Riley, CPFA**  
**Section 151 Officer**

24 July 2019



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Reanalysed <b>31 March 2018</b>				Note	<b>31 March 2019</b>		
Exp £'000	Income £'000	Net £'000			Exp £'000	Income £'000	Net £'000
15,407	(11,765)	3,642	Corporate Governance		15,153	(10,701)	4,452
763	(292)	471	Community Safety		645	(352)	293
1,082	(733)	349	Strategy, Communication and Economic Development		1,312	(772)	540
1,034	(95)	939	Finance and Assets		3,540	(578)	2,962
3,531	(1,395)	2,136	Planning, Regeneration and Housing		2,750	(1,957)	793
8,319	(4,184)	4,135	Environment and Regulation		8,336	(4,022)	4,314
2,056	(1,019)	1,037	Wellbeing and Localities		2,701	(2,035)	666
<b>32,192</b>	<b>(19,483)</b>	<b>12,709</b>	<b>Cost of Services</b>		<b>34,437</b>	<b>(20,417)</b>	<b>14,020</b>
2,800	(1,905)	895	Other Operating Expenditure	12	2,591	(1,857)	734
852	(122)	730	Financing and Investment Income and Expenditure	13	1,121	(262)	859
721	(13,730)	(13,009)	Taxation and Non-specific Grant Income	14	2,436	(19,189)	(16,753)
		<b>1,325</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>10</b>			<b>(1,140)</b>
		(2,921)	(Surplus)/Deficit on Revaluation of Fixed Assets	29			(15,855)
		0	Impairment Losses on Non-Current Assets charged to the Revaluation Reserve	29			138
		(2,135)	(Actuarial Gains)/Losses on Pension Assets/Liabilities	32			4,852
		<b>(5,056)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(10,865)</b>
		<b>(3,731)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(12,005)</b>

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The 'surplus or (deficit) on the provision of service' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund (GF) Balance for Council Tax setting purposes.

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

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

	<u>Usable Reserves (£'000)</u>						<u>Unusable Reserves (£'000)</u>							<u>(£'000)</u>	
	General Fund (GF) Balance	Earmarked GF Reserves	General Reserves	Capital Receipts Reserve	Receipts In Advance Unapplied	<b>Total Usable Reserves</b>	Financial Instruments Adjustment Account	Capital Revaluation Reserve	Deferred Capital Adjustment Account	Collection Fund Adjustment Receipts	Accumul'd Pension Reserve	Absences Account	<b>Total Unusable Reserves</b>	<b>Total Authority Reserves</b>	
<b>Balance at 31 March 2018 carried forward</b>	6,517	5,175	941	2,614	476	15,723	(1)	9,996	18,070	0	68	(28,734)	(63)	(664)	15,059
<b>Movement in reserves during 2018/19</b>															
Surplus or (deficit) on provision of services (accounting basis)	1,140					1,140								0	1,140
Other Comprehensive Income and Expenditure						0		15,717			(4,852)		10,865		10,865
<b>Total Comprehensive Income and Expenditure</b>	1,140	0	0	0	0	1,140	0	15,717	0	0	0	(4,852)	0	10,865	12,005
Adjustments between accounting basis and funding basis under regulations	(246)			1,122	546	1,422	(123)	(342)	615		355	(1,926)	(1)	(1,422)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	894	0	0	1,122	546	2,562	(123)	15,375	615	0	355	(6,778)	(1)	9,443	12,005
Transfers to/from Earmarked Reserves	(688)	694	(6)			0								0	0
<b>Increase/Decrease in year</b>	206	694	(6)	1,122	546	2,562	(123)	15,375	615	0	355	(6,778)	(1)	9,443	12,005
<b>Balance at 31 March 2019 carried forward</b>	6,723	5,869	935	3,736	1,022	18,285	(124)	25,371	18,685	0	423	(35,512)	(64)	8,779	27,064

	<u>Usable Reserves (£'000)</u>						<u>Unusable Reserves (£'000)</u>							<u>(£'000)</u>	
	General Fund (GF) Balance	Earmarked GF Reserves	General Reserves	Capital Receipts Reserve	Receipts In Advance Unapplied	<b>Total Usable Reserves</b>	Financial Instruments Adjustment Account	Capital Revaluation Reserve	Deferred Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumul'd Absences Account	<b>Total Unusable Reserves</b>	<b>Total Authority Reserves</b>	
<b>Balance at 31 March 2017 carried forward</b>	5,344	5,270	1,272	2,282	428	14,596	0	7,371	18,283	0	678	(29,534)	(66)	(3,268)	11,328
<b>Movement in reserves during 2017/18</b>															
Surplus or (deficit) on provision of services (accounting basis)	(1,325)					(1,325)								0	(1,325)
Other Comprehensive Income and Expenditure						0		2,921			2,135			5,056	5,056
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,325)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,325)</b>	<b>0</b>	<b>2,921</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,135</b>	<b>0</b>	<b>5,056</b>	<b>3,731</b>
Adjustments between accounting basis and funding basis under regulations	2,072			332	48	2,452	(1)	(296)	(213)		(610)	(1,335)	3	(2,452)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>747</b>	<b>0</b>	<b>0</b>	<b>332</b>	<b>48</b>	<b>1,127</b>	<b>(1)</b>	<b>2,625</b>	<b>(213)</b>	<b>0</b>	<b>(610)</b>	<b>800</b>	<b>3</b>	<b>2,604</b>	<b>3,731</b>
Transfers to/from Earmarked Reserves	426	(95)	(331)			0								0	0
<b>Increase/Decrease in year</b>	<b>1,173</b>	<b>(95)</b>	<b>(331)</b>	<b>332</b>	<b>48</b>	<b>1,127</b>	<b>(1)</b>	<b>2,625</b>	<b>(213)</b>	<b>0</b>	<b>(610)</b>	<b>800</b>	<b>3</b>	<b>2,604</b>	<b>3,731</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>6,517</b>	<b>5,175</b>	<b>941</b>	<b>2,614</b>	<b>476</b>	<b>15,723</b>	<b>(1)</b>	<b>9,996</b>	<b>18,070</b>	<b>0</b>	<b>68</b>	<b>(28,734)</b>	<b>(63)</b>	<b>(664)</b>	<b>15,059</b>

## BALANCE SHEET

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

Reanalysed 31 March 2018 £'000		Note	31 March 2019 £'000
35,339	Property, Plant & Equipment	15	53,770
15	Heritage Assets	16	24
156	Investment Property	17	208
41	Intangible Assets	18	73
0	Assets held for Sale	19	152
0	Long Term Investments	20a	3,527
2	Long Term Debtors	23	1,832
<b>35,553</b>	<b>Long Term Assets</b>		<b>59,586</b>
23,019	Short Term Investments	20a	18,023
89	Inventories	22	97
2,529	Short Term Debtors	23	7,005
2,019	Cash and Cash Equivalents	24	2,850
<b>27,656</b>	<b>Current Assets</b>		<b>27,975</b>
(15)	Short Term Borrowings	20a	(26)
(12,249)	Short Term Creditors	25	(15,142)
(3,750)	Short Term Provisions	26	(2,899)
<b>(16,014)</b>	<b>Current Liabilities</b>		<b>(18,067)</b>
(1,511)	Long Term Borrowing	20a	(1,490)
(28,734)	Pension Liability Account	47c	(35,512)
(1,891)	Grants Received in Advance	43b	(5,428)
<b>(32,136)</b>	<b>Long Term Liabilities</b>		<b>(42,430)</b>
<b>15,059</b>	<b>Net Assets</b>		<b>27,064</b>
15,723	Usable Reserves	MiRS	18,285
(664)	Unusable Reserves	27	8,779
<b>15,059</b>	<b>Total Reserves</b>		<b>27,064</b>

**Simon Riley, CPFA**  
**Section 151 Officer**  
**24 July 2019**

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

Reanalysed 2017/18 £'000		2018/19 £'000	Note
1,325	<b>Net (surplus)/ deficit on the provision of Services</b>	(1,140)	
(3,408)	Adjustments to net (surplus)/ deficit on the provision of services for non - cash movements	7,023	
1,465	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	410	
(618)	<b>Net Cash flows from operating activities</b>	6,293	
(1,513)	Investing activities	(4,530)	35
3,289	Financing activities	(932)	36
1,158	<b>Net increase/(decrease) in cash and cash equivalents</b>	831	
861	Cash and Cash equivalents at the beginning of the reporting period	2,019	
2,019	Cash and Cash equivalents at the end of the reporting period	2,850	24

## 1) Summary of Significant Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

### b) Changes in accounting treatment

These policies ensure we produce our financial statements in accordance with the updated Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (based on International Financial Reporting Standards).

The main change from previous years regards the classification and valuation of financial assets as detailed in section i).

### c) Accruals of Income and Expenditure

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

- **Revenue from contracts with service recipients** – whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- **Employee Costs** – the full cost of employees has been included for the period 1 April 2018 to 31 March 2019. The exception to this is that the reimbursement of travel expenses is made one month in arrears, so that the amount included in the accounts covers the period 1 March 2018 to 28 February 2019. This policy has been applied consistently between years, and does not have a material effect on the accounts.
- **Interest** – interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

**d) Cash and Cash Equivalents**

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

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

**e) Contingent Assets and Liabilities**

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

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

**f) Employee Benefits**

- **Benefits payable during employment**

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

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



- **Termination Benefits**

Termination benefits are amounts payable as a result of the council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Net Cost of Services line in the Comprehensive Income & Expenditure Statement when the council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

- **Pension Benefits**

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

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

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

The attributable liabilities of the scheme are measured on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

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

Service cost comprising:

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

Remeasurements comprising:

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

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

- **Discretionary Benefits**

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any members of staff are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

**g) 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 effect of transactions, other events and conditions on the Authority'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 had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior.

**h) Events after the Balance Sheet Date**

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

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

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

## **i) Financial Instruments**

### **• Financial Liabilities**

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

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

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

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

### **• Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

- **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year of the loan agreement.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

- **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

- **Financial Assets Measured at Fair Value through Profit and Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – observable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

**j) Foreign Currency Translation**

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

**k) Government Grants and Other Contributions**

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

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

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

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

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

**l) Intangible Fixed Assets (Excluding Goodwill and Development Expenditure)**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being

available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

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

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

#### **m) Leases**

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

- Finance leases  
The Council does not presently have any assets acquired by way of finance lease.
- Operating leases  
Rentals paid under operation leases are charged to the Comprehensive Income & Expenditure Statement as a cost to the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

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

#### **n) Overheads**

The costs of overheads and support services are not charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

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

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

### **• Recognition**

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

### **• Measurement**

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued to a five year rolling programme, although material changes to valuations are adjusted in the interim period. To ensure all such assets have been revalued according to this policy a full revaluation as at 31 March 2019 has been completed. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

- **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- **Depreciation**

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

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

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

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

- **Disposals and Non Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less



costs to sell. Where there is subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **p) Provisions**

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

#### **q) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement. The equivalent proportion reserve is then transferred back into the General Fund

Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

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

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

**s) Inventories and Long Term Contracts**

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

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance objectives satisfied based on the goods or services transferred to the service recipient during the financial year.

**t) Value Added Tax**

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

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

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

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

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the Authority in

accordance with statutory guidance (England and Wales) or loans fund principal charges (Scotland)].

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

#### **v) Investment Property**

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

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

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

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

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

#### **w) Heritage Assets**

The Council's Heritage Assets are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured, including treatment of revaluation gains and losses, in accordance with the Council's accounting policies on Property, Plant and Equipment. Heritage Assets that are considered to be immaterial are not shown separately on the balance sheet as the cost of valuing these assets outweighs the benefit.

Heritage Assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration to a Heritage Asset the value of the asset will be reviewed.

## **x) Interests in Companies and Other Entities**

The Council has a material interest in an external entity that is classified as a subsidiary and therefore group accounts have been prepared. In the Council's single-entity accounts the Council's interest is recorded as a financial asset at cost less any provision for losses.

## **y) Council Tax and Non-domestic Rates (England)**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for ourselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement if the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## **z) Fair Value Measurement**

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as its property fund investment, at fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participants ability to generate economic benefits by using the asset in its highest or best use or by selling it to another market participant that would use the asset in its highest or best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 April 2018.

The Code of Practice on Local Council Accounting in the United Kingdom 2019/20 (the Code) has introduced changes in accounting policies as follows;

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of- use assets with corresponding lease liabilities (there is recognition for low value and short term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020
- **Amendments to IAS 40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which a property can be reclassified as investment property
- **Annual Improvements to IFRS Standards 2014-2016**
- **IFRIC 22 Foreign Current Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.
- **IFRIC 23 Uncertainty over Income Tax** provides additional guidance on income tax treatment where there is uncertainty
- **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.

### 3) Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

### 4) 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, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Leicestershire County Council to provide all Leicestershire authorities with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £8,735k. However, the assumptions interact in complex ways. During 2018/19 the Council's actuaries advised that the net pensions liability increased by £6,778k. This is as a result of changes to actuarial assumptions.

**Arrears**

At the 31st March 2019, Harborough District Council had a balance for sundry debtors of £1,758k. A review of significant balances resulted in a provision of £334k (19%). This balance includes £513k of S106 debtors for which no provision was made as the balances were settled shortly after year end.

If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts of 5% would result in an additional £88k needing to be set aside as an allowance.

**Britain leaving the European Union**

There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are various possible scenarios including: a no deal Brexit, an agreement to leave with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets.

Higher impairment allowances may need to be charged in the future if asset values fall and if the discount rate changes the size of the net pension liability will also vary.

**5) Post Balance Sheet Events**

The Statement of Accounts was authorised for issue by the Section 151 Officer on 28 May 2019, and revised on 24 July 2019, after due consideration of any post balance sheet events. The revision related mainly to an adjustment to the pension scheme. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council participates in the Local Government Pension Scheme (LGPS) administered by Leicestershire County Council. The LGPS's actuaries, Hymans Robertson have recalculated the schemes liabilities as at 31 March 2019 in view of the results of the McCloud and Guaranteed Minimum Pension (GMP) rulings, and the revised figures have been included in these financial statements. More details are provided in note 47).

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

No prior period adjustments have been made to the Council's 2017/18 published financial statements.

## **7) 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.



## EXPENDITURE AND FUNDING ANALYSIS

Reanalysed 31 March 2018				Note	31 March 2019		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000			Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
3,290	352	3,642	Corporate Governance		4,160	292	4,452
408	63	471	Community Safety		238	55	293
265	84	349	Strategy, Communication and Economic Development		444	96	540
(305)	1,244	939	Finance and Assets		1,375	1,587	2,962
2,012	124	2,136	Planning, Regeneration and Housing		676	117	793
3,749	386	4,135	Environment and Regulation		3,872	442	4,314
960	77	1,037	Wellbeing and Localities		475	191	666
<b>10,379</b>	<b>2,330</b>	<b>12,709</b>	<b>Net Cost of Services</b>		<b>11,240</b>	<b>2,780</b>	<b>14,020</b>
2,359	(1,464)	895	Other Operating Expenditure	12	2,000	(1,266)	734
(45)	775	730	Financing and Investment Income and Expenditure	13	(54)	913	859
(13,440)	431	(13,009)	Taxation and Non-specific Grant Income	14	(14,080)	(2,673)	(16,753)
(747)	<b>2,072</b>	<b>1,325</b>	<b>(Surplus)/Deficit on Provision of Services</b>	10	<b>(894)</b>	<b>(246)</b>	<b>(1,140)</b>
(11,886)			<b>Opening General Fund Balance</b>		(12,633)	(Note 11)	
(747)			<b>Less Deficit on General Fund</b>		(894)		
<b>(12,633)</b>			<b>Closing General Fund</b>		<b>(13,527)</b>		

## 8) **Notes to Movement In Reserves Statement**

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

2018/19	Usable Reserves (£'000)				Unusable Reserves (£'000)							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
<b>Adjustments involving the Capital Adjustment Account</b>												
<b>Reversal of Items DR/CR to the CIES</b>												
Charges for Depreciation and impairment of non-current assets	(1,592)			(1,592)		342	1,250					1,592
Amortisation of intangible assets	(20)			(20)			20					20
Capital grants and contributions applied	3,700			3,700			(3,700)					(3,700)
Revenue expenditure funded from capital under statute	(2,007)			(2,007)			2,007					2,007
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(941)			(941)			941					941
<b>Insertion of items not DR/CR to the CIES</b>												
Statutory provision for the financing of capital investment	607			607			(607)					(607)
Capital expenditure charged against the GF	89			89			(89)					(89)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>												
Capital grant and contributions unapplied credited to the CIES	594		(594)	0								0
Application of grants to capital financing			48	48			(48)					(48)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>												
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	1,529	(1,514)		15								0
Use of the Capital Receipts Reserve to finance new capital expenditure		389		389			(389)					(389)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(18)	3		(15)								0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0		0								0
<b>Adjustments primarily involving the deferred Capital Receipts Reserve</b>												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		0		0								0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>												
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(123)			(123)	123							123
<b>Adjustments primarily involving the Pension Reserve</b>												
Reversal of items relating to retirement benefits DR/CR to CIES	(3,501)			(3,501)						3,501		3,501
Employers pension contributions and direct payments to pensioners payable in the year	1,575			1,575						(1,575)		(1,575)
<b>Adjustments primarily involving the Collection Fund Adjustments Account</b>												
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	355			355					(355)			(355)
<b>Adjustment primarily involving Accumulated Absences Account</b>												
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)			(1)							1	1
<b>Total Adjustments</b>	<b>246</b>	<b>(1,122)</b>	<b>(546)</b>	<b>(1,422)</b>	<b>123</b>	<b>342</b>	<b>(615)</b>	<b>0</b>	<b>(355)</b>	<b>1,926</b>	<b>1</b>	<b>1,422</b>

2017/18	Usable Reserves (£'000)				Unusable Reserves (£'000)							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
<b>Adjustments involving the Capital Adjustment Account</b>												
<b>Reversal of Items DR/CR to the CIES</b>												
Charges for Depreciation and impairment of non-current assets	(1,630)			(1,630)		296	1,334					1,630
Amortisation of intangible assets	(72)			(72)			72					72
Capital grants and contributions applied	895			895			(895)					(895)
Revenue expenditure funded from capital under statute	(962)			(962)			962					962
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(682)			(682)			682					682
<b>Insertion of items not DR/CR to the CIES</b>												
Statutory provision for the financing of capital investment	553			553			(553)					(553)
Capital expenditure charged against the GF and HRA Balances	84			84			(84)					(84)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>												
Capital grant and contributions unapplied credited to the CIES	176		(176)	0								0
Application of grants to capital financing			128	128			(128)					(128)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>												
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	1,527	(1,527)		0								0
Use of the Capital Receipts Reserve to finance new capital expenditure		1,177		1,177			(1,177)					(1,177)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(18)	18		0								0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0		0								0
<b>Adjustments primarily involving the deferred Capital Receipts Reserve</b>												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		0		0								0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>												
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(1)			(1)	1							1
<b>Adjustments primarily involving the Pension Reserve</b>												
Reversal of items relating to retirement benefits DR/CR to CIES	(2,693)			(2,693)						2,693		2,693
Employers pension contributions and direct payments to pensioners payable in the year	1,358			1,358						(1,358)		(1,358)
<b>Adjustments primarily involving the Collection Fund Adjustments Account</b>												
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	(610)			(610)					610			610
<b>Adjustment primarily involving Accumulated Absences Account</b>												
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3			3							(3)	(3)
<b>Total Adjustments</b>	<b>(2,072)</b>	<b>(332)</b>	<b>(48)</b>	<b>(2,452)</b>	<b>1</b>	<b>296</b>	<b>213</b>	<b>0</b>	<b>610</b>	<b>1,335</b>	<b>(3)</b>	<b>2,452</b>

## 9) Transfers to/from Earmarked Reserves

Reserve	Balance 1 April 2017 £'000	Transfers Out £'000	Transfers In £'000	Balance 31 March 2018 £'000	Transfers Out £'000	Transfers In £'000	Balance 31 March 2019 £'000
<b>Earmarked Reserves:</b>							
Developer Commuted Contributions	(236)	44		(192)	42		(150)
Elections	(45)		(20)	(65)		(40)	(105)
Local Development Framework	(272)	160	(143)	(255)	209	(85)	(131)
Training & Development	(46)			(46)			(46)
Waste Performance	0			0		(19)	(19)
Car Parks	0			0			0
VAT Shelter	(707)		(15)	(722)	61	(10)	(671)
Organisational Capacity	(170)			(170)	55		(115)
New Homes Bonus	(747)		(400)	(1,147)	400		(747)
Asset Management	(160)			(160)	56		(104)
Revenues & Benefits	(153)	8	(16)	(161)		(50)	(211)
Business rates growth	(2,216)	1,300	(721)	(1,637)	1,364	(2,436)	(2,709)
Individual Electoral Registration	(58)			(58)			(58)
Health & Wellbeing Forum	(22)			(22)			(22)
Physical Activity	(54)	30		(24)	24		0
Recreation Development	(2)			(2)			(2)
Community Safety Partnership	(10)		(14)	(24)	(2)	(6)	(32)
Sure Start	(1)			(1)			(1)
OPCC	(2)			(2)	2		0
Energy Promotion	(5)			(5)			(5)
VAT Claim Reserve	(35)			(35)			(35)
New Homes Bonus - Locality Fund	(28)	71	(69)	(26)	16	(6)	(16)
Planning	(275)	20	(28)	(283)	155	(265)	(393)
Neighbourhood planning	(26)	26		0	54	(116)	(62)
Repairs Reserve	0		(20)	(20)			(20)
Air Quality Mangement	0		(86)	(86)	75	(10)	(21)
Homelessness	0		(32)	(32)		(29)	(61)
Special Expenses	0			0		(53)	(53)
Environmental Improvements	0			0		(28)	(28)
Whittle Plane Sponsorship	0			0		(15)	(15)
EU Exit	0			0		(17)	(17)
Land Charges	0			0		(13)	(13)
Local Lottery	0			0		(7)	(7)
	(5,270)	1,659	(1,564)	(5,175)	2,511	(3,205)	(5,869)
General Fund Reserve	(1,272)	339	(8)	(941)	150	(144)	(935)
	<b>(6,542)</b>	<b>1,998</b>	<b>(1,572)</b>	<b>(6,116)</b>	<b>2,661</b>	<b>(3,349)</b>	<b>(6,804)</b>

## 10) Expenditure and Income analysed by Nature

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

2017/18 £'000	Expenditure/Income	2018/19 £'000
	<b>Expenditure</b>	
9,432	Employee benefits expenses	10,167
23,722	Other services expenses	26,417
1,618	Depreciation, amortisation, impairment	1,740
75	Interest payments	75
1,494	Precepts and levies	1,614
(766)	Gain on the disposal of assets	(941)
<b>35,575</b>	<b>Total expenditure</b>	<b>39,072</b>
	<b>Income</b>	
(6,544)	Fees, charges and other service income	(6,925)
(103)	Interest and investment income	(232)
(7,209)	Income from Council Tax	(7,488)
(20,394)	Government grants and contributions	(25,567)
<b>(34,250)</b>	<b>Total income</b>	<b>(40,212)</b>
<b>1,325</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,140)</b>

## 11) Expenditure and Funding Note

2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Corporate Governance	72	220	0	292
Community Safety	19	36	0	55
Strategy, Communication and Economic Development	72	24	0	96
Finance and Assets	962	625	0	1,587
Planning, Regeneration and Housing	2	115	0	117
Environment and Regulation	342	100	0	442
Wellbeing and Localities	175	16	0	191
<b>Net Cost of Services</b>	<b>1,644</b>	<b>1,136</b>	<b>0</b>	<b>2,780</b>
Other Operating Expenditure	(1,266)	0	0	(1,266)
Financing and Investment Income and Expenditure	0	790	123	913
Taxation and Non-specific Grant Income	(2,318)	0	(355)	(2,673)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,940)	1,926	(232)	(246)

2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Corporate Governance	102	252	(2)	352
Community Safety	27	36	0	63
Strategy, Communication and Economic Development	62	22	0	84
Finance and Assets	1,243	1	0	1,244
Planning, Regeneration and Housing	2	123	(1)	124
Environment and Regulation	278	109	(1)	386
Wellbeing and Localities	59	18	0	77
<b>Net Cost of Services</b>	<b>1,773</b>	<b>561</b>	<b>(4)</b>	<b>2,330</b>
Other Operating Expenditure	(1,464)	0	0	(1,464)
Financing and Investment Income and Expenditure	0	774	1	775
Taxation and Non-specific Grant Income	(179)	0	610	431
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	130	1,335	607	2,072

### Note 1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for these assets.



- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable without conditions or for which conditions are satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Note 2) Net change for the Pensions Adjustments

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

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

## Note 3) Other Differences

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

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

## 12) Other Operating Expenditure

Exp £'000	Income £'000	2017/18 £'000		Exp £'000	Income £'000	2018/19 £'000
1,494	0	1,494	Precepts paid to Parish Councils	1,614	0	1,614
761	(1,527)	(766)	Disposal of Capital Interests	573	(1,514)	(941)
0	(23)	(23)	Income from VAT Shelter	0	(10)	(10)
545	(355)	190	Total net deficit from Market Hall Trading Operation	404	(333)	71
<b>2,800</b>	<b>(1,905)</b>	<b>895</b>	<b>Other Operating Expenditure</b>	<b>2,591</b>	<b>(1,857)</b>	<b>734</b>

## 13) Financing & Investment Income & Expenditure

Exp £'000	Income £'000	2017/18 £'000		Exp £'000	Income £'000	2018/19 £'000
75	0	75	Interest Payable and Similar Charges	75	0	75
0	(103)	(103)	Interest receivable and Similar Income	0	(232)	(232)
3	(19)	(16)	Income and Expenditure in relation to Investment Properties and changes in their Fair Value	3	(20)	(17)
0	0	0	Loss on Financial Assets at Fair Value through Profit and Loss	123	0	123
0	0	0	Impairment Allowance	130	0	130
774	0	774	Pensions Interest Costs and Expected Return on Assets	790	0	790
0	0	0	Other Investment Income	0	(10)	(10)
<b>852</b>	<b>(122)</b>	<b>730</b>	<b>Financing &amp; Investment Income &amp; Expenditure</b>	<b>1,121</b>	<b>(262)</b>	<b>859</b>

## 14) Taxation & Non-specific Grant Income

Exp £'000	Income £'000	2017/18 £'000		Exp £'000	Income £'000	2018/19 £'000
0	(3,246)	(3,246)	General Government Grants & Contributions	0	(2,613)	(2,613)
0	(179)	(179)	Capital Grant & Contribution	0	(2,318)	(2,318)
721	(3,096)	(2,375)	Non Domestic Rates	2,436	(6,770)	(4,334)
0	(7,209)	(7,209)	Council tax income	0	(7,488)	(7,488)
<b>721</b>	<b>(13,730)</b>	<b>(13,009)</b>	<b>Taxation &amp; Non-specific Grant Income</b>	<b>2,436</b>	<b>(19,189)</b>	<b>(16,753)</b>

## 15) Property Plant & Equipment

	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>							
<b>At 31st March 2018</b>	31,704	2,768	430	1,956	0	1,126	37,984
Additions	3	379	0	0	0	4,700	5,082
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	14,448	0	0	0	0	89	14,537
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	0	0	0	0	0	0	0
Derecognition - Other	0	(279)	0	(230)	0	0	(509)
Reclassifications:							
- to Held for Sale	(702)	0	0	0	(20)	0	(722)
- Other Assets	687	0	0	(10)	20	(697)	0
Other movements in Cost or Valuation	(203)	0	0	0	0	0	(203)
<b>At 31st March 2019</b>	<b>45,937</b>	<b>2,868</b>	<b>430</b>	<b>1,716</b>	<b>0</b>	<b>5,218</b>	<b>56,169</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 31st March 2018</b>	(413)	(1,872)	(63)	(297)	0	0	(2,645)
Depreciation	(1,097)	(282)	(9)	(29)	0	0	(1,417)
Depreciation written out to Revaluation reserve	1,270	0	0	0	0	0	1,270
Impairment Losses / (Reversals) recognised in the Surplus / Deficit on Provision of Services	(19)	(23)	(5)	(134)	0	0	(181)
Impairment losses / (reversals) recognised in the Revaluation Reserve	(138)	0	0	0	0	0	(138)
Derecognition - Other	0	279	0	230	0	0	509
Other Movements in Depreciation and Impairment	203	0	0	0	0	0	203
<b>At 31st March 2019</b>	<b>(194)</b>	<b>(1,898)</b>	<b>(77)</b>	<b>(230)</b>	<b>0</b>	<b>0</b>	<b>(2,399)</b>
<b>Net Book Value</b>							
<b>At 31st March 2019</b>	<b>45,743</b>	<b>970</b>	<b>353</b>	<b>1,486</b>	<b>0</b>	<b>5,218</b>	<b>53,770</b>
<b>At 31st March 2018</b>	<b>31,291</b>	<b>896</b>	<b>367</b>	<b>1,659</b>	<b>0</b>	<b>1,126</b>	<b>35,339</b>

Comparative movements in 2017/18

	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>							
<b>At 31st March 2017</b>	30,167	2,521	430	1,953	0	398	35,469
Additions	204	281	0	3	0	1,395	1,883
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	1,644	0	0	0	0	2	1,646
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	0	0	0	0	0	0	0
Derecognition - Disposals	0	(70)	0	0	0	0	(70)
Reclassifications: - to Held for Sale	(593)	0	0	0	0	0	(593)
- Other Assets	626	36	0	0	0	(662)	0
Other movements in Cost or Valuation	(344)	0	0	0	0	(7)	(351)
<b>At 31st March 2018</b>	<b>31,704</b>	<b>2,768</b>	<b>430</b>	<b>1,956</b>	<b>0</b>	<b>1,126</b>	<b>37,984</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 31st March 2017</b>	(783)	(1,636)	(54)	(268)	0	(7)	(2,748)
Depreciation	(999)	(306)	(9)	(29)	0	0	(1,343)
Depreciation written out to Revaluation reserve	1,228	0	0	0	0	0	1,228
Impairment Losses / (Reversals) recognised in the Surplus / Deficit on Provision of Services	(203)	0	0	0	0	0	(203)
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Derecognition - Disposals	0	70	0	0	0	0	70
Other Movements in Depreciation and Impairment	344	0	0	0	0	7	351
<b>At 31st March 2018</b>	<b>(413)</b>	<b>(1,872)</b>	<b>(63)</b>	<b>(297)</b>	<b>0</b>	<b>0</b>	<b>(2,645)</b>
<b>Net Book Value</b>							
<b>At 31st March 2018</b>	<b>31,291</b>	<b>896</b>	<b>367</b>	<b>1,659</b>	<b>0</b>	<b>1,126</b>	<b>35,339</b>
<b>At 31st March 2017</b>	<b>29,384</b>	<b>885</b>	<b>376</b>	<b>1,685</b>	<b>0</b>	<b>391</b>	<b>32,721</b>

### a) Depreciation

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

- Land and buildings – Buildings: minimum 10 years, maximum 50 years; Land is not depreciated (in line with the Code and standard practice);
- Vehicles plant and equipment – minimum 5 years, maximum 10 years;
- Infrastructure assets – Buildings 25 years.

Certain assets have not been depreciated for the following reasons:

- Community assets – mainly freehold land which is not depreciable.

### b) Capital Commitments

At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2018/19 and future years budgeted to cost £3.205m. Similar commitments at 31 March 2018 were £129k. The major commitments are:

<b>Scheme</b>	<b>Contracted Work</b>	<b>£'000</b>
Car Parks	Installation of Electric Charging Ports	18
Symington Building	Electronic Signage	38
Grow on Space	Construction of Building	2,964
Rebuild Churchyard Walls	Repairs to Boundary Walls etc	20
S106 Grant Panel Award	Market Harborough Tennis Club - Clubhouse Floodlighting	101
S106 Grant Panel Award	Lutterworth F.C. - Clubhouse, Pitch Improvements etc	50
S106 Grant Panel Award	Various Community Projects	14
		3,205

The main commitment above regarding the Grow on Space is part of a £7.8m programme spanning 2018/19 and 2019/20. The Council was successful in securing £4.3m of external funding towards this from the ERDF and the LLEP.

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

The Council's policy with regard to the valuation of tangible fixed assets is that assets held in the balance sheet at fair value are formally revalued to a five year rolling programme, although any material changes to valuations are adjusted in the interim period. For 2018/19 all fixed assets were revalued to provide a baseline for the continuation of the rolling programme from 2019/20 onwards. Assets were revalued at 31 January 2019 with a market review provided by the valuer to provide assurance that asset values had not changed materially at 31 March 2019.

Where not explicitly stated otherwise, property revaluations have been completed by Mr G Harbord MA MRICS IRRV (Hons) a qualified valuer and a partner of Wilks Head & Eve LLP.

The significant assumptions applied in estimating fair values are:

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

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

The valuations are made in accordance with the RICS Valuation - Professional Standards 2014 UK edition (revised 2015), in so far as they are consistent with the IFRS standards and CIPFA interpretation, (RICS UKVS 1.12).

Any departure from these standards are listed below:

- the instant building approach has been adopted. For assets valued at depreciated replacement cost no building periods, nor consequential finance costs have been reflected in their valuations, this has been valued in accordance with UKVS 1.15 in addition to UKGN2 of the red book.

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

	<b>Other Land and Buildings</b>	<b>VPE, Infrastructure, Community, &amp; AUC</b>	<b>Assets Held For Sale</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at Historic Cost:	0	8,027	0	8,207
Valued at Fair Value: 31 March 2019	45,743	0	152	45,895

The increase in fair value is due to increases in the Building Cost Information Service (BCIS) Location factors since the last full revaluation.

## 16) Heritage Assets

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

The Council has two heritage assets;

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

In 2018/19 the Council commissioned a piece of glass artwork to commemorate 100 years of women’s rights to vote.

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

	2017/18 £000's	2018/19 £000's
<b>Balance at 1 April</b>	15	15
Additions	0	9
<b>Balance at 31 March</b>	<b>15</b>	<b>24</b>

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

## 17) Investment Properties

### Land at the former Cattle Market site

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

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

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

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

#### Welland Park Cafe

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

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

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

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

#### Doddridge Road Office (Jubilee Memorial Hall)

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

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

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

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

#### Land at Symingtons Recreation Ground

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

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

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

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



<b>Investment Properties</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance as at 1 April</b>	<b>109</b>	<b>156</b>
Additions	0	0
Transfers From Other Land & Buildings	0	0
Disposals	0	0
Net Gain / Losses from Fair Value Adjustments	47	52
<b>Balance as at 31 March</b>	<b>156</b>	<b>208</b>

### **18) Intangible Assets**

	<b>2017/18 Purchased Software Licences</b>	<b>2018/19 Purchased Software Licences</b>
	<b>£'000</b>	<b>£'000</b>
Original Cost	1,174	1,183
Amortisations to 1 April	(1,070)	(1,142)
Carrying Value at 1 April	104	41
Expenditure in Year	9	54
Disposals		
- obsolete software	0	(22)
Revaluations in Year	0	0
Impairment in Year	0	(2)
Write out amortisation upon disposal	0	22
Amortisation to Revenue for year	(72)	(20)
<b>Balance at 31 March</b>	<b>41</b>	<b>73</b>

During the financial year the Council purchased software licences as part of the ongoing ICT Refresh programme. This included core security software.

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

There were no internally generated intangible assets in 2017/18 or 2018/19.

## 19) Assets held for Sale

	Non-current	
	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>150</b>	<b>0</b>
Assets newly classified as held for sale: - Property, Plant & Equipment	593	722
Impairment Losses	0	0
Assets Sold	(743)	(570)
Other Movements: - Disposal Costs	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>152</b>

Asset sales in 2018/19 comprised two newly constructed housing properties at Paget Road, Lubenham developed on a former garage site, sales of a car park and recreation ground to Parish Councils and various minor sales of surplus land. The remaining asset held for sale, a further newly constructed housing property at Paget Road was sold just after year end.

## 20) Financial Instruments Balances

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity.

### a) **Financial Assets and Liabilities**

The following categories of financial instrument are carried in the balance sheet:

## Financial Assets

	Non-Current				Current				Total 31/3/19 £'000
	Investments		Debtors		Investments		Debtors		
	31/3/18 £'000	31/3/19 £'000	31/3/18 £'000	31/3/19 £'000	31/3/18 £'000	31/3/19 £'000	31/3/18 £'000	31/3/19 £'000	
Fair Value through Profit and Loss	0	1,377	2	0	0	0	235	949	2,326
Amortised Cost	0	2,150	0	1,832	25,038	20,873	0	0	24,855
<b>Total Financial Assets</b>	<b>0</b>	<b>3,527</b>	<b>2</b>	<b>1,832</b>	<b>25,038</b>	<b>20,873</b>	<b>235</b>	<b>949</b>	<b>27,181</b>
Non-Financial Assets	0	0	0	0	0	0	2,294	6,056	6,056
<b>Total</b>	<b>0</b>	<b>3,527</b>	<b>2</b>	<b>1,832</b>	<b>25,038</b>	<b>20,873</b>	<b>2,529</b>	<b>7,005</b>	<b>33,237</b>

## Financial Liabilities

	Non-Current				Current				Total 31/3/19 £'000
	Borrowings		Creditors		Borrowings		Creditors		
	31/3/18 £'000	31/3/19 £'000	31/3/18 £'000	31/3/19 £'000	31/3/18 £'000	31/3/19 £'000	31/3/18 £'000	31/3/19 £'000	
Fair Value through Profit and Loss	0	0	0	0	0	0	(40)	(34)	(34)
Amortised Cost	(1,511)	(1,490)	0	0	(15)	(26)	0	0	(1,516)
<b>Total Financial Liabilities</b>	<b>(1,511)</b>	<b>(1,490)</b>	<b>0</b>	<b>0</b>	<b>(15)</b>	<b>(26)</b>	<b>(40)</b>	<b>(34)</b>	<b>(1,550)</b>
Non-Financial Liabilities	0	0	0	0	0	0	(12,209)	(15,108)	(15,108)
<b>Total</b>	<b>(1,511)</b>	<b>(1,490)</b>	<b>0</b>	<b>0</b>	<b>(15)</b>	<b>(26)</b>	<b>(12,249)</b>	<b>(15,142)</b>	<b>(16,658)</b>

### b) Reclassification and Measurement of Financial Assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

	Carrying amount brought forward at 1 April 2018 £'000	New Classifications at 1 April 2018		
		Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit and loss £'000
<b>Previous classifications</b>				
Loans and receivables	27,569	27,569	0	0
<b>Reclassified amounts at 1 April 2018</b>	<b>27,569</b>	<b>27,569</b>	<b>0</b>	<b>0</b>

### c) Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

New Classifications at 1 April 2018

£000s	Amortised Cost £'000	Fair Value through Other Comprehensive Income £'000	Fair value through profit and Loss £'000	Non-financial instrument balances £'000	Total Balance Sheet carrying amount £'000
<b>Remeasured carrying amounts at 1 April 2018</b>	<b>27,569</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,569</b>
Non-current investments	0	0	0	0	0
Long-term debtors	2	0	0	0	2
Current investments	25,038	0	0	0	25,038
Current debtors	235	0	0	2,294	2,529
<b>Total</b>	<b>25,275</b>	<b>0</b>	<b>0</b>	<b>2,294</b>	<b>27,569</b>

### d) Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2017/18 Surplus or Deficit on the Provision of Services £'000	2018/19 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Financial assets measured at fair value through profit or loss	0	123
Financial assets measured at amortised cost	0	0
Financial liabilities measured at fair value through profit or loss	0	0
Financial liabilities measured at amortised cost	0	0
<b>Total net gains/losses</b>	<b>0</b>	<b>123</b>
Interest revenue:		
Financial assets measured at amortised cost	(103)	(232)
Other financial assets measured at fair value through other comprehensive income	0	0
<b>Total interest revenue</b>	<b>(103)</b>	<b>(232)</b>
<b>Interest expense</b>	<b>75</b>	<b>75</b>

## e) Fair Value of Financial Instruments

Some of the Council's financial assets are measured in the Balance Sheet at fair value on a recurring basis and are described in the following table, included the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2018 Fair Value	31 March 2019 Fair Value
			£'000	£'000
<b>Fair Value through Profit and Loss</b>				
CCLA Property Fund	Level 1	Unadjusted quoted price in active markets for identical shares	0	1,377

The Council holds 456,149 units in the CCLA Property Fund, the fair value has been calculated using the bid price. The other long term investment is shares in the Council's wholly owned subsidiary Harborough District Commercial Services Ltd which are carried at historic cost.

Except for the financial assets above, all other financial liabilities and financial assets represented by amortised cost and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, new loan rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- No early repayment of impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31-Mar-18		31-Mar-19	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(1,511)	(2,494)	(1,490)	(2,532)
Short term borrowing	0	0	(10)	(10)
Short term creditors	(40)	(40)	(34)	(34)
<b>Total Liabilities</b>	<b>(1,551)</b>	<b>(2,534)</b>	<b>(1,534)</b>	<b>(2,576)</b>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The council has used the new loan rate to calculate the fair value of the PWLB debt above. The fair value based on the premature repayment rate is £3,108k. These measure the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

	31-Mar-18		31-Mar-19	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Short term investments	23,019	23,019	18,023	18,023
Long term investments	0	0	3,527	3,527
Short term debtors	235	235	949	949
Long term debtors	2	2	1,832	1,832
<b>Total Assets</b>	<b>23,256</b>	<b>23,256</b>	<b>24,331</b>	<b>24,331</b>

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

## 21) Leases

### a) The Council as Lessee

- **Finance Leases**

The Council as Lessee did not hold any finance leases in 2018/19.

- **Operating Leases**

The Council held the following operating leases in 2018/19:

Control Centre Operation

The Council has a lease agreement for floor space at the Market Harborough Police Station for the Control Centre operation. A lease was signed on 8 September 2018, expiring on 7 September 2021. This is an extension of the original contract which ran from 8 September 2015 to 7 September 2018.

Waste Contract

The Council has a 7 year contract with FCC Environment (UK) Ltd for waste collection, recycling, street cleaning and grounds maintenance, commencing on 1 April 2016 and expiring on 31 March 2023. This is an extension of the original contract which ran from April 2009 to March 2016.

During 2016/17 the fleet of recycling vehicles exceeded 7 years of age and at this point the criteria to carry the assets as operating leases under IRRIC 4 was no longer met.

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

	31 March 2018	31 March 2019
<b>Minimum Lease Payments Due in future years are:</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	3	8
Later than one year and not later than five years	0	26
Later than five years	0	0
	<b>3</b>	<b>34</b>

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

	2017/18 £'000	2018/19 £'000
Minimum lease payments	8	8
Contingent rents	0	0
Sublease payments receivable	0	0
	<b>8</b>	<b>8</b>

## b) The Council as Lessor

- **Finance Leases**

The Council as lessor did not hold any finance leases in 2018/19.

- **Operating Leases**

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

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

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

	<b>31 March 2018</b>	<b>31 March 2019</b>
<b>Minimum Lease Payments Due in future years are:</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	90	95
Later than one year and not later than five years	60	86
Later than five years	23	52
	<b>173</b>	<b>233</b>

## **22) Inventories**

<b>Consumable Stores</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance at 1 April</b>	92	89
Purchases	22	33
Recognised as an expense in the year	(25)	(25)
Written Off		
<b>Balance at 31 March</b>	<b>89</b>	<b>97</b>



## 23) Debtors

### Short Term

	Reanalysed 2017/18 £'000	2018/19 £'000
Trade Receivables	741	1,424
Accrued Income	708	505
Collection Fund Debtors	678	2,781
Other Receivable Amounts	402	2,295
<b>Total</b>	<b>2,529</b>	<b>7,005</b>

### Long Term

	2017/18 £'000	2018/19 £'000
Leisure Trust Debtor	2	0
Loan to Subsidiary Company	0	1,832
<b>Total</b>	<b>2</b>	<b>1,832</b>

## 24) Cash and Cash Equivalents

	Reanalysed 2017/18 £'000	2018/19 £'000
Cash held by the Authority	1	1
Bank Current Accounts	2,018	2,849
<b>Total</b>	<b>2,019</b>	<b>2,850</b>

## 25) Creditors

	Reanalysed 2017/18 £'000	2018/19 £'000
Trade Payables	(53)	(139)
Accrued Expenditure	(2,051)	(2,380)
Collection Fund Creditors	(8,065)	(10,681)
Other Payables	(2,080)	(1,942)
<b>Total</b>	<b>(12,249)</b>	<b>(15,142)</b>

## 26) Provisions

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability, and the Department for Communities and Local Government, Leicestershire County Council and Leicestershire Fire Authority and responsible for a 50%, 9% and 1% share respectively.

During 2018/19 a thorough review of the provision was undertaken reflecting settlement of a number of appeals by the Valuation Office and an assessment of potential liabilities in the future.

Business Rates Appeals Provisions	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	(2,046)	(3,750)
(Additional)/Reduced Provision	(1,704)	851
<b>Balance at 31 March</b>	<b>(3,750)</b>	<b>(2,899)</b>

## 27) Unusable reserves

	Note	31 March 2018 £'000	31 March 2019 £'000
Financial Instruments Adjustment Account	28	1	124
Revaluation Reserve	29	(9,996)	(25,371)
Capital Adjustment Account	30	(18,070)	(18,685)
Collection Fund Adjustment Account	31	(68)	(423)
Pensions Reserve	32	28,734	35,512
Accumulated Absences Account	33	63	64
<b>Total Unusable Reserves</b>		<b>664</b>	<b>(8,779)</b>

## 28) Financial Instruments Adjustment Account

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	0	1
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Soft Loans	1	0
- Statutory override on Long Term Investment	0	123
<b>Balance at 31 March</b>	<b>1</b>	<b>124</b>

## 29) Revaluation reserve

	2017/18 £'000	2018/19 £'000
<b>Balance as at 1st April</b>	<b>(7,371)</b>	<b>(9,996)</b>
Upward revaluation of assets	(3,107)	(16,580)
Downward revaluation of assets	186	725
	(2,921)	(15,855)
Impairment losses not charged to the surplus / deficit on the provision of services	0	138
Accumulated Gains on Assets sold or scrapped	77	(13)
Difference between fair value depreciation & historical cost depreciation	219	355
<b>Balance as at 31st March</b>	<b>(9,996)</b>	<b>(25,371)</b>

### 30) Capital Adjustment Account

	2017/18 £'000	2018/19 £'000
<b>Balance as at 1st April</b>	<b>(18,283)</b>	<b>(18,070)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>		
General Fund Charges for depreciation & impairment of non current assets	1,546	1,596
Amortisation of Intangible assets	72	20
Revenue Expenditure funded from Capital under Statute	962	2,007
	<b>2,580</b>	<b>3,623</b>
Adjusting amounts written out of the Revaluation Reserve	<b>(219)</b>	<b>(343)</b>
Disposal of assets Gains / (Losses)	<b>766</b>	<b>941</b>
Revaluation Losses on PPE	<b>(77)</b>	<b>(3)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,177)	(389)
Capital expenditure charged against the General Fund balances	(84)	(89)
Capital grants & contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	(895)	(3,700)
Application of grants to capital financing from the Capital Grants Unapplied Account	(128)	(48)
Statutory provision for the financing of capital investment charged against the General Fund balances	(553)	(607)
	<b>(2,837)</b>	<b>(4,833)</b>
<b>Balance as at 31st March</b>	<b>(18,070)</b>	<b>(18,685)</b>

### 31) Collection Fund Adjustment Account

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(678)</b>	<b>(68)</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Surplus on collection fund payable in future years	151	112
- NDR	459	(467)
<b>Balance at 31 March</b>	<b>(68)</b>	<b>(423)</b>

### 32) Pension Reserve

	2017/18 £'000	2018/19 £'000
<b>Balance as at 1 April</b>	29,534	28,734
Actuarial (gains) or losses on pensions assets and liabilities	(2,135)	4,852
Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the Comprehensive Income and Expenditure Statement	2,693	3,501
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,358)	(1,575)
<b>Balance as at 31 March</b>	<b>28,734</b>	<b>35,512</b>

### 33) Accumulated Absence Account

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	66	63
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Change in Absence Liability	(3)	1
<b>Balance at 31 March</b>	<b>63</b>	<b>64</b>

### 34) Cash Flow Statement – Operating Activities

	2017/18 £'000	2018/19 £'000
Interest received	103	232
Interest paid	(75)	(75)
	<b>28</b>	<b>157</b>

### 35) Cash Flow Statement – Investing Activities

	Reanalysed 2017/18 £'000	2018/19 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(1,892)	(5,145)
Purchase of short-term and long-term investments	0	(3,982)
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	332	1,122
Proceeds from short-term and long-term investments	47	3,475
Other receipts from investing activities	0	0
<b>Net cash flows from investing activities</b>	<b>(1,513)</b>	<b>(4,530)</b>

### 36) Cash Flow Statement – Financing Activities

	2017/18 £'000	2018/19 £'000
Cash receipts of short and long-term borrowing	(10)	(10)
Other receipts from financing activities	3,299	(922)
Repayments of short and long-term borrowing	0	0
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>3,289</b>	<b>(932)</b>

**37)Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities**

	01 April 2018 £'000	Financing Cashflows £'000	Acquisition £'000	Non-Cash Changes £'000	31 March 2019 £'000
Long Term Borrowing	(1,511)	10	0	11	(1,490)
Short Term Borrowing	(15)	0	0	(11)	(26)
<b>Total Liabilities from Financing Activities</b>	<b>(1,526)</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>(1,516)</b>

**38)Discontinued Operations**

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

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

	2017/18 £000	2018/19 £000
<b>Income from Stallholders:</b>		
- rents and charges	(355)	(333)
<b>Expenditure</b>	440	404
<b>(Surplus) / Deficit</b>	<b>85</b>	<b>71</b>

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

#### **40)Members Allowances**

Members of the Council received payments amounting to £322k during the financial year, compared with £318k in 2017/18.

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Salaries	0	0
Allowances	282	288
Expenses	36	34
<b>Total</b>	<b>318</b>	<b>322</b>

#### **41)Remuneration of Senior Officers**

In accordance with Schedule 1 of the Accounts and Audit Regulations 2015 the Council is required to disclose the number of officers whose remuneration in the year amounted to £50,000 or more, starting at that level and rising in bands of £5,000. For this purpose, remuneration is deemed to be the total of all sums paid to or receivable by an officer, sums due by way of expense allowances, and the monetary value of benefits received other than in cash. Pension contributions payable by either the employee or the Council are excluded. The following tables both include senior officers of the Council.

<b>Remuneration Band</b>	<b>Restated 2017/18 No.</b>	<b>2018/19 No.</b>
£50,000 to £54,999	3	8
£55,000 to £59,999	2	3
£60,000 to £64,999	1	1
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £85,999	0	0
£85,000 to £89,999	0	0
£90,000 to £94,999	2	0
£95,000 to £99,999	0	2
£100,000 to £104,999	0	0



The remuneration of Senior Officers whose salary was more than £50,000 in 2018/19 is as follows:

Post Holder		Salary, Fees and Allowances	Expense Allowances	Pension Contributions	Total	Note	
		£	£	£	£	£	
Joint Chief Executive	2018/19	93,969	1,380	27,241	122,590		
	2017/18	91,083	1,594	24,598	117,275		
Joint Chief Executive	2018/19	93,969	1,460	27,241	122,670		
	2017/18	91,083	1,568	24,598	117,249		
Head of Legal and Democratic Services	2018/19	58,976	2,100	17,097	78,173		A
	2017/18	57,820	2,505	15,606	75,931		
Head of Communities (pro-rata)	2018/19	47,180	597	13,677	61,454		
	2017/18	42,511	1,071	11,474	55,056		
Head of Finance & Corporate Services and Section 151 Officer	2018/19	58,976	774	17,097	76,847		
	2017/18	57,820	1,687	15,606	75,113		
Head of Planning and Regeneration	2018/19	58,976	516	17,097	76,589		
	2017/18	57,820	1,105	15,606	74,531		
Head of Environmental Services, Economic Development & Major Projects	2018/19	56,611	1,367	16,412	74,390		B
Total	2018/19	468,657	8,194	135,862	612,713		
Total	2017/18	398,137	9,530	107,488	515,155		

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

#### Notes

- A Until 30 June 2018 the Head of Legal and Democratic Services post was shared with Melton Borough Council and a part reimbursement was received from them.
- B The Head of Environmental Services, Economic Development & Major Projects is a new post created during the year on 18 June 2018. The post holder was formerly the Corporate Asset Manager, the table above shows a full years remuneration.

#### **42) External Audit Cost**

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

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Fees payable with regard to external audit services carried out by the appointed auditor	42	33
Fees payable for the certification of grant claims and returns by the appointed auditor	14	0
	<b>56</b>	<b>33</b>

On 14 December 2017 the appointed auditor changed from KPMG LLP to Mazars LLP for the 5 years from 2018/19 to 2022/23.

#### **43) Grant Income and Other Contributions**

a) In 2018/19, Harborough District Council received the following grants and contributions.

	<b>2017/18 £'000</b>	<b>2018/19</b>
<b>Credited to Taxation and Non-Specific Grant Income</b>		
NNDR Baseline	(1,653)	(1,703)
NNDR Income	(461)	(3,904)
Small Business Rate Relief Section 31 Grant	(982)	(1,163)
Revenue Support Grant	(300)	(8)
New Homes Bonus	(2,686)	(2,460)
Other MHCLG	(260)	(145)
Other Capital Grant and contributions	(179)	(2,318)
	<b>(6,521)</b>	<b>(11,701)</b>
<b>Credited to Services</b>		
Rent Allowance Subsidy	(9,996)	(9,113)
Housing Benefit Admin Grant	(176)	(169)
NNDR Cost of Collection	(127)	(127)
Other MHCLG	(225)	(372)
DWP	(139)	(155)
Leicestershire County Council	(96)	(81)
Other Specific grants	(41)	(117)
Disabled Facilities / Lightbulb Project	(426)	(467)
Other REFCUS	(466)	(1,509)
	<b>(11,692)</b>	<b>(12,110)</b>

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

<b>Capital Grants Receipts in Advance</b>	<b>31/03/2018 £'000</b>	<b>31/03/2019 £'000</b>
S.106 Developer Contributions	(1,600)	(5,138)
Other Capital Grant	(253)	(252)
Other Capital Contribution	(38)	(38)
	<b>(1,891)</b>	<b>(5,428)</b>

#### **44) Related Party Transactions**

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

- a) **Central Government** has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). See note 43 Grant Income for further information.

- b) **Other public bodies –**

	<b>Expense £'000</b>	<b>Income £'000</b>	<b>Balance Outstanding £'000</b>
Hinckley & Bosworth BC	785	(463)	(56)
Leicestershire County Council Parking Enforcement	65	(221)	(80)
Leicestershire County Council Recycling	0	(193)	(67)
Leicestershire County Council Lift and Roof Contribution (The Symington Building)	0	(65)	(102)
Leicestershire County Council Service/Other	329	(286)	(219)
Leicestershire County Council Trade Waste	276	0	93
Charnwood BC	420	0	0
<b>Total</b>	<b>1,875</b>	<b>(1,228)</b>	<b>(431)</b>

Hinckley & Bosworth BC provide a Revenues and Benefits service as part of a Partnership comprising of three Councils.

Charnwood BC provide the Council with contact centre services.

**c) Members of the Council** have direct control over the Council's financial and operating policies. All contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests which is open to public inspection. See note 40 for Member Allowance details. During 2018/19 there were no significant payments to or receipts from parties in which Members had an interest.

**d) Officers of the Council** reported no related party transactions apart from that noted in e) below.

**e) Entities controlled by the Council**

The Council controls Harborough District Commercial Services Ltd through its ownership of 100% of the shares of the company (2,150,000 ordinary shares of £1 each). 2018/19 was the first year of operation. The Council has provided a loan facility to the company of up to £2,522,500 and up to £100,000 solely for working capital purposes. On 15 March 2019 a long term (40 years) loan of £1,832,141 was made towards the acquisition of property. Interest is charged at 6%.

One of the Council's Joint Chief Executives, Norman Proudfoot, is the sole director of the company.

Harborough District Commercial Services Ltd has been consolidated into the Council's Group Accounts.

#### **45)Capital Expenditure and Sources of Finance**

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 by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Opening Capital Financing Requirement	5,925	5,942
<u>Capital Expenditure:</u>		
Property, Plant and Equipment	1,882	5,082
Investment Properties	0	0
Intangible Assets	9	54
Heritage Assets	0	9
Revenue Expenditure Funded from Capital Under Statute	962	2,007
<u>Sources of Finance:</u>		
Capital Receipts	(1,177)	(388)
Government Grants & Other Contributions	(1,022)	(3,748)
Sums set aside from Revenue (including MRP)	(637)	(696)
Closing Capital Financing Requirement	5,942	8,262
Movement in Year	17	2,320
<u>Explanation of Movements in Year:</u>		
Increase in underlying need to borrow (supported by Government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	17	2,320
Increase/(Decrease) in Capital Financing Requirement	17	2,320

#### **46)Termination Benefits**

<b>Termination Benefits Band</b>	<b>2017/18 No.</b>	<b>2018/19 No.</b>
£0 to £20,000	3	1
£20,000 to £40,000	-	1

In 2018/19 the Authority terminated two contracts with a total value of £42k (2017/18 three contracts with a total value of £7k).

## **47) Local Government Pension Scheme**

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

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

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit pension scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets. In addition the Council has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme, the estimated outstanding liability for which was £1.099m at 31 March 2019 (£1.142m at 31 March 2018).

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

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

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
<b>Service Cost</b>				
Current Service Cost	1,919	2,080		
Past Service Cost (including curtailments)	0	631	0	0
<b>Total Service Cost</b>	<b>1,919</b>	<b>2,711</b>	<b>0</b>	<b>0</b>
<b>Financing &amp; Investment</b>				
Interest income on scheme assets	(1,179)	(1,273)		
Interest cost on defined benefit obligation	1,922	2,032	31	31
<b>Total net interest</b>	<b>743</b>	<b>759</b>	<b>31</b>	<b>31</b>
<b>Total Post Employment Benefits charged to the surplus or deficit on the provision of services Remeasurements of the Net Defined Liability comprising:</b>	<b>2,662</b>	<b>3,470</b>	<b>31</b>	<b>31</b>
Return on plan assets excluding amounts included in net interest	856	1,357		
Actuarial losses arising from changes in demographic assumptions	0	0		
Actuarial losses arising from changes in financial assumptions	1,291	(6,229)		
Other	(12)	20		
<b>Total remeasurements recognised in other comprehensive income</b>	<b>2,135</b>	<b>(4,852)</b>	<b>0</b>	<b>0</b>
<b>Total Post Employment benefits charged to the Comprehensive Income &amp; Expenditure Statement.</b>	<b>4,797</b>	<b>(1,382)</b>	<b>31</b>	<b>31</b>
<b>Movement in Reserves Statement:</b>				
Reversal of net charges made to the surplus on provision of services	(2,662)	(3,470)	(31)	(31)
Employers' contributions payable to the scheme	1,284	1,504		
Retirement benefits payable to pensioners			74	71

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2019 a loss of £27.084m and at 31 March 2018 was a loss of £22.232m.

The Actuary has projected the total Pension Expense for the year to 31 March 2020 at £1.636m.

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

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

	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>
Fair value of employer assets	47,253	49,709
Present value of funded liabilities	(74,845)	(84,122)
Present value of unfunded liabilities	(1,142)	(1,099)
<b>Net Pensions Liability</b>	<b>(28,734)</b>	<b>(35,512)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability of £35.512m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions to the scheme over the remaining working life of employees, in the light of the performance of the fund as assessed by the scheme actuary.



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

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
<b>Opening fair value of scheme liabilities at 1 April</b>	<b>73,871</b>	<b>74,845</b>	<b>1,179</b>	<b>1,142</b>
Current Service Cost	1,919	2,080		
Interest Cost	1,922	2,032	31	31
Contributions by Members	320	348		
<b>Remeasurement gain</b>				
Actuarial losses arising from changes in demographic assumptions	0	0		
Actuarial losses arising from changes in financial assumptions	(1,297)	6,232	6	(3)
Other experience	12	(20)		
Losses / (Gains) on Curtailments	0	0		
Past Service Costs		631		
Estimated Unfunded benefits Paid			(74)	(71)
Benefits Paid	(1,902)	(2,026)		
<b>Closing Balance at 31 March</b>	<b>74,845</b>	<b>84,122</b>	<b>1,142</b>	<b>1,099</b>

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

	2017/18 £'000	2018/19 £'000
<b>Opening fair value of scheme assets at 1 April</b>	<b>45,516</b>	<b>47,253</b>
Interest income on plan assets	1,179	1,273
Contributions from employees into the scheme	320	348
Contributions by the Employer	1,284	1,504
<b>Remeasurement gain:</b>		
Return on assets excluding amounts included in net interest	856	1,357
Benefits Paid	(1,902)	(2,026)
<b>Closing fair value of scheme assets at 31 March</b>	<b>47,253</b>	<b>49,709</b>

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

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

Pension Scheme assets are comprised of:

Asset category	Period ended 31 March 2018				Period ended 31 March 2019			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percent age of Total Assets %	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percent age of Total Assets %
<b>Equity Securities:</b>								
Consumer					127.1		127.1	0%
Manufacturing					37.2		37.2	0%
Energy & Utilities					104.5		104.5	0%
Financial Institutions					157.7		157.7	0%
Health & Care					36.6		36.6	0%
Information Technology					41.9		41.9	0%
Other	1,146.6	-	1,146.6	2%	360.4	-	360.4	1%
<b>Debt Securities:</b>								
UK Government	3,943.7	-	3,943.7	8%	4,201.0	7.9	4,208.9	8%
Other	431.4	-	431.4	1%	643.8	-	643.8	1%
<b>Private Equity:</b>								
All	-	1,680.3	1,680.3	4%	-	2,292.2	2,292.2	5%
<b>Real Estate:</b>								
UK Property	-	4,151.0	4,151.0	9%	-	3,715.4	3,715.4	7%
<b>Investment Funds and Unit Trusts:</b>								
Equities	22,260.1	-	22,260.1	47%	19,965.0	-	19,965.0	41%
Bonds	1,516.8	3,907.4	5,424.2	11%	2,100.5	-	2,100.5	4%
Hedge Funds	1,598.8	48.5	1,647.3	3%	4.1	-	-	0%
Commodities	-	1,107.0	1,107.0	2%	-	1,758.1	1,758.1	4%
Infrastructure	-	2,235.1	2,235.1	5%	-	2,614.3	2,614.3	5%
Other	1,398.2	-	1,398.2	3%	4,976.0	5,139.3	10,115.3	21%
<b>Derivatives</b>								
Interest Rate	-		0.0	0%	-		0.0	0%
Foreign Exchange	(137.7)		(137.7)	0%	(63.2)		(63.2)	0%
<b>Cash and Cash Equivalents:</b>								
All	1,965.8	-	1,965.8	4%	1,489.2	-	1,489.2	3%
	<b>34,123.7</b>	<b>13,129.3</b>	<b>47,253.0</b>	<b>100%</b>	<b>34,181.8</b>	<b>15,527.2</b>	<b>49,709.0</b>	<b>100%</b>

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

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. This assessment has been undertaken by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2019.

The main assumptions used in their calculations are:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2017/18	2018/19	2017/18	2018/19
<b>Mortality assumptions</b>				
Longevity at 65 for current pensioners				
Men	22.1	22.1	22.1	22.1
Women	24.3	24.3	24.3	24.3
Longevity at 65 for future pensioners				
Men	23.8	23.8		
Women	26.2	26.2		
<b>Economic assumptions</b>				
Rate of inflation	2.40%	2.50%	2.40%	2.50%
Rate of increase in salaries	3.40%	3.50%		
Rate of increase in pensions	2.40%	2.50%	2.40%	2.50%
Rate for discounting scheme liabilities	2.70%	2.40%	2.70%	2.40%
Take-up of option to convert annual pension into retirement grant	50.00%	50.00%		

Mortality assumptions are derived from the PFA92 and PMA92 life expectancy tables, projected to calendar year 2033 for non pensioners and 2019 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised above.

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

Change in assumptions at 31 March 2019:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount rate	10%	8,735
0.5% increase in the Salary Increase Rate	2%	1,374
0.5% increase in the Pension Increase Rate	8%	7,228

#### e) McCloud Judgement – Age Discrimination in Pension Schemes

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the

introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members’ benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members’ future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary’s Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD’s paper, dated 10 June 2019.

The Fund’s actuary has adjusted GAD’s estimate to better reflect the Leicestershire Pension Fund’s local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Harborough District Council is that total liabilities (i.e. the increase in active members’ liabilities expressed in terms of the employer’s total membership) could be 0.63% higher as at 31 March 2019, an increase of approximately £525k.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers’ funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

#### **f) Guaranteed Minimum Pension**

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this

arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Harborough District Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to Harborough District Council is that total liabilities could be 0.12% higher as at 31 March 2019, an increase of approximately £101k.

These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

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

#### **48) Contingent Liabilities**

There are the following contingent liabilities:

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

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

In September 1992 MMI ceased to write new, or to renew, general insurance business.

The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered.

A levy notice was issued based on 25% of the value of total claims carried forward exceeding £50,000 to 31 March 2019. This was a total of £6,919, which has all been paid in previous years.

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

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

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

The Council's activities expose it to a variety of financial risks, the key risks are:

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

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

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

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

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

These policies are implemented by the Finance Services team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### c) Credit risk

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

The following significant inputs, assumptions and estimation techniques have been used in calculating impairment loss allowances:

- a simplified approach using a credit matrix has been applied to trade receivables and lease receivables, and repayment reviewed at 30 April 2019.
- an expected credit loss model using historic default rate data from the three main credit agencies was applied to short term investments and repayment reviewed at 30 April 2019.
- an assessment of the loan to the wholly owned subsidiary company concluded there was 0% chance of default.

### d) Liquidity risk

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

Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

	2017/18 £'000	2018/19 £'000
Less than one year	0	10
Between one and two years	21	0
Between two and five years	0	22
Between five and ten years	22	0
Between two and twenty years	0	0
More than twenty years	1,468	1,468
	<b>1,511</b>	<b>1,500</b>

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

**e) Market risk**

- **Interest rate risk** - The Council has limited exposure to interest rate movements on its borrowings and investments. But movements on interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:
  - Borrowings at variable rates – the interest credited to the Surplus or Deficit on the Provision of Services will rise
  - Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
  - Investments at variable rates – the interest credited to the Surplus or Deficit on the Provision of Services will rise
  - Investments at fixed rates – the fair value of assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

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

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

	<b>£000s</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(343)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(343)</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.



- **Price risk** - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk. It does have an investment in a property fund which is classified as fair value through profit or loss meaning that all the movements in price will impact on gains and losses recognised in the Surplus or Deficit on the Provision of Services subject to a statutory override given by the Ministry of Housing, Communities and Local Government for the years to 31 March 2023.
- **Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## **50) Trust Funds**

The Council acts as administrator for several small trust funds, which total £2k. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

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

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

<b>Expenditure</b>	<b>2017/18</b> £'000s	<b>2018/19</b> £'000s
Housing Services - Rent Allowances	10,399	9,471

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

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

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

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

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

Leicestershire County Council along with Leicester City Council, the LFRS and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2018/19, the Leicester and Leicestershire Pool (LLP). Leicestershire County Council was the lead authority for the LLP. The Pool was in a net top-up position, meaning that it could not be subject to a levy to the Government; a safety net position was technically feasible but given the scale of loss that would have to be suffered was unlikely to arise.

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

The Pool surplus at the end of 2018/19 has been retained by the Pool and will be distributed in agreement with the LLEP Agreement

The Accounts include a creditor for a levy due to the pool of £2,436k. Harborough District Council is able to retain our share of growth of £2,436k. This has then been set aside in an earmarked reserve to provide future funding for the authority.

### **53)Date of Authorisation**

The Statement of Accounts was authorised for issue by S Riley, Section 151 Officer on 28 May 2019, and revised on 24 July 2019 after due consideration of any post balance sheet events.

**COLLECTION FUND**

2017/18 £'000 Council Tax	2017/18 £'000 NNDR	2017/18 £'000 Total		2018/19 £'000 Council Tax	2018/19 £'000 NNDR	2018/19 £'000 Total	Note
(56,119)	0	(56,119)	<b>Income</b>	(60,212)	0	(60,212)	2
0	(41,758)	(41,758)	Income from Council Taxpayers Transfer from General Fund: Income from Business Ratepayers	0	(44,836)	(44,836)	3
<b>(56,119)</b>	<b>(41,758)</b>	<b>(97,877)</b>	<b>Total Income</b>	<b>(60,212)</b>	<b>(44,836)</b>	<b>(105,048)</b>	
			<b>Expenditure</b>				
54,662	0	54,662	Precepts and Demands from County and District Business Rates	59,659	0	59,659	4
0	0	0	- Payment to National Pool	0	0	0	
0	19,857	19,857	- Payment to Government for Central Share	0	20,136	20,136	
0	3,971	3,971	- Payment to Preceptors	0	4,027	4,027	
0	15,885	15,885	- Payment to Harborough District Council	0	16,145	16,145	
0	127	127	- Costs of Collection	0	127	127	
			Bad and Doubtful Debts/Appeals				
28	(30)	(2)	- Provisions	112	3	115	
77	142	219	- Write offs	25	129	154	
0	4,261	4,261	- Provision for Appeals	0	(2,129)	(2,129)	
			Distribution of previous year's estimated Collection Fund Surplus				5
2,528	(1,443)	1,085		1,269	5,378	6,647	
<b>57,295</b>	<b>42,770</b>	<b>100,065</b>	<b>Total Expenditure</b>	<b>61,065</b>	<b>43,816</b>	<b>104,881</b>	
<b>(2,450)</b>	<b>(856)</b>	<b>(3,306)</b>	<b>Collection Fund Balance at 1 April</b>	<b>(1,274)</b>	<b>156</b>	<b>(1,118)</b>	
<b>1,176</b>	<b>1,012</b>	<b>2,188</b>	<b>(Surplus)/Deficit for the year</b>	<b>853</b>	<b>(1,020)</b>	<b>(167)</b>	
<b>(1,274)</b>	<b>156</b>	<b>(1,118)</b>	<b>Collection Fund Balance at 31 March</b>	<b>(421)</b>	<b>(864)</b>	<b>(1,285)</b>	

## NOTES TO THE COLLECTION FUND

### 1. General

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

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

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. Individual charges are determined by dividing the demands and precepts of the Council, the County Council, the Police and Crime Commissioner and the Fire Authority by the Council Tax base. The Council Tax base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The Band D Council Tax for 2018/19 was £1,721.06 (£1,632.56 in 2017/18). The charge for all other bands is calculated by multiplying the Band D charge by the appropriate ratio for each band.

Income from Council Taxpayers in 2018/19 was £60.2m.

The Council Tax Base used for setting the 2018/19 Council Tax was calculated as follows:

	Dwellings in Banding List	Net effect of premiums and discounts	Adjusted Amount for Council Tax Band	Proportion of Band D Tax	Equivalent Band D Dwellings  (to one decimal place)
AR	0	0.0	0.0	5/9	0.0
A	4,418	(2,483.0)	1,935.0	6/9	1,935.0
B	8,425	(3,201.5)	5,223.5	7/9	5,223.5
C	7,670	(1,778.9)	5,891.1	8/9	5,891.1
D	6,192	(224.0)	5,968.0	1	5,968.0
E	6,044	877.0	6,921.0	11/9	6,921.0
F	3,425	1,284.9	4,709.9	13/9	4,709.9
G	2,485	1,463.3	3,948.3	15/9	3,948.3
H	227	190.1	417.1	18/9	417.1
Irrecoverable allowance					(350.1)
<b>Tax Base for the Calculation of Council Tax</b>					<b>34,663.8</b>

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

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

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

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due

The business rates shares payable for 2018/19 were estimated before the start of the financial year as £20.136m to Central Government, £4.027m to the Preceptors and £16.108m (plus £37k Renewable Energy Disregard) to Harborough District Council. These sums have been paid in 2018/19 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Harborough District Council pays a tariff to the value of £13.125m.

The total income from business rate payers collected in 2018/19 was £44.8 m (£41.8m in 2017/18).

The rate multiplier set by the Government for 2018/19 was 49.3p or 48.0p for small businesses (in 2017/18 was 47.9p or 46.6p for small businesses).

The total rateable value as at 31 March 2019 was £106,376,063 the equivalent at 31 March 2018 being £105,260,601.

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

	2017/18 £'000	2018/19 £'000
Harborough District Council	7,035	7,436
Leicestershire County Council	39,254	43,074
Leicestershire Police and Crime Commissioner	6,269	6,906
Leicestershire, Leicester & Rutland Fire Authority	2,104	2,243
	<b>54,662</b>	<b>59,659</b>

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

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

	2017/18 £'000	2018/19 £'000
Harborough District Council	325	163
Leicestershire County Council	1,809	911
Leicestershire Police and Crime Commissioner	295	146
Leicestershire, Leicester & Rutland Fire Authority	99	49
	<b>2,528</b>	<b>1,269</b>

#### 6. Collection Fund Balances

The balance carried forward on the Collection Fund at 31 March 2019 comprises a Council Tax surplus of £421k (£1,274k surplus at 31 March 2018). Any surplus or deficit relating to Council Tax must be shared between the Council and the major precepting authorities in proportion to the value of the precepts or demands which they each levy.

The share owed to major precepting authorities at 31 March 2019 is £368,739 and this appears as a creditor on the balance sheet (£1,110,396 as at 31 March 2018). The Council's own share of the Council Tax surplus, £52,337 is shown in the net worth section of the balance sheet (£163,994 surplus at 31 March 2018).

Also included in the Collection Fund for 2018/19 is an amount of £2,129k (£4,261k 2017/18) related to a decrease (increase 2017/18) in the provision for appeals for NNDR. The council has accounted for our share of this provision, which cumulatively amounts to £2,899k (£3,750k 2017/18). The remainder relates to preceptors' shares.

## **GROUP ACCOUNTS**

The CIPFA Code of Practice requires that where the Council has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The following statements consolidate the financial transactions of Harborough District Commercial Services Ltd, incorporated on 2 January 2019, with the Council. As Harborough District Commercial Services Ltd started trading on 15 March 2019 no comparatives have been given.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	<b>31 March 2019</b>		
	<b>Exp £'000</b>	<b>Income £'000</b>	<b>Net £'000</b>
Corporate Governance	15,153	(10,701)	4,452
Community Safety	645	(352)	293
Strategy, Communication and Economic Development	1,312	(772)	540
Finance and Assets	3,612	(589)	3,023
Planning, Regeneration and Housing	2,750	(1,957)	793
Environment and Regulation	8,336	(4,022)	4,314
Wellbeing and Localities	2,701	(2,035)	666
<b>Cost of Services</b>	<b>34,509</b>	<b>(20,428)</b>	<b>14,081</b>
Other Operating Expenditure	2,591	(1,857)	734
Financing and Investment Income and Expenditure	1,121	(257)	864
Taxation and Non-specific Grant Income	2,436	(19,189)	(16,753)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(1,074)</b>
(Surplus)/Deficit on Revaluation of Fixed Assets			(15,855)
Impairment Losses on Non-Current Assets charged to the Revaluation Reserve			138
(Actuarial Gains)/Losses on Pension Assets/Liabilities			4,852
<b>Other Comprehensive (Income) and Expenditure</b>			<b>(10,865)</b>
<b>Total Comprehensive (Income) and Expenditure</b>			<b>(11,939)</b>



## GROUP MOVEMENT IN RESERVES STATEMENT

	<u>Usable Reserves (£'000)</u>						<u>Unusable Reserves (£'000)</u>						(£'000)	
	General Fund (GF) Balance	Earmarked GF Reserves	General Reserves	Capital Receipts Reserve	Receipts In Advance Unapplied	Total Usable Reserves	Financial Instruments Adjustment Account	Revaluation Reserve	Collection Capital Adjustment Account	Fund Adjustment Account	Pension Reserve	Accumul'd Absences Account	Total Unusable Reserves	Total Authority Reserves
<b>Balance at 31 March 2018 carried forward</b>	6,517	5,175	941	2,614	476	15,723	(1)	9,996	18,070	68	(28,734)	(63)	(664)	15,059
<b>Movement in reserves during 2018/19</b>														
Surplus or (deficit) on provision of services (accounting basis)	1,074					1,074							0	1,074
Other Comprehensive Income and Expenditure						0		15,717			(4,852)		10,865	10,865
<b>Total Comprehensive Income and Expenditure</b>	<b>1,074</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,074</b>	<b>0</b>	<b>15,717</b>	<b>0</b>	<b>0</b>	<b>(4,852)</b>	<b>0</b>	<b>10,865</b>	<b>11,939</b>
Adjustments between accounting basis and funding basis under regulations	(246)			1,122	546	1,422	(123)	(342)	615	355	(1,926)	(1)	(1,422)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>828</b>	<b>0</b>	<b>0</b>	<b>1,122</b>	<b>546</b>	<b>2,496</b>	<b>(123)</b>	<b>15,375</b>	<b>615</b>	<b>355</b>	<b>(6,778)</b>	<b>(1)</b>	<b>9,443</b>	<b>11,939</b>
Transfers to/from Earmarked Reserves	(688)	694	(6)			0							0	0
<b>Increase/Decrease in year</b>	<b>140</b>	<b>694</b>	<b>(6)</b>	<b>1,122</b>	<b>546</b>	<b>2,496</b>	<b>(123)</b>	<b>15,375</b>	<b>615</b>	<b>355</b>	<b>(6,778)</b>	<b>(1)</b>	<b>9,443</b>	<b>11,939</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>6,657</b>	<b>5,869</b>	<b>935</b>	<b>3,736</b>	<b>1,022</b>	<b>18,219</b>	<b>(124)</b>	<b>25,371</b>	<b>18,685</b>	<b>423</b>	<b>(35,512)</b>	<b>(64)</b>	<b>8,779</b>	<b>26,998</b>

## GROUP BALANCE SHEET

	<b>31 March 2019 £'000</b>
Property, Plant & Equipment	53,770
Heritage Assets	24
Investment Property	4,188
Intangible Assets	73
Assets held for Sale	152
Long Term Investments	1,377
Long Term Debtors	0
<b>Long Term Assets</b>	<b>59,584</b>
Short Term Investments	18,023
Inventories	97
Short Term Debtors	6,941
Cash and Cash Equivalents	2,850
<b>Current Assets</b>	<b>27,911</b>
Short Term Borrowings	(26)
Short Term Creditors	(15,142)
Short Term Provisions	(2,899)
<b>Current Liabilities</b>	<b>(18,067)</b>
Long Term Borrowing	(1,490)
Pension Liability Account	(35,512)
Grants Received in Advance	(5,428)
<b>Long Term Liabilities</b>	<b>(42,430)</b>
<b>Net Assets</b>	<b>26,998</b>
Usable Reserves	18,219
Unusable Reserves	8,779
<b>Total Reserves</b>	<b>26,998</b>

**Simon Riley, CPFA**  
**Section 151 Officer**  
**24 July 2019**

## GROUP CASH FLOW STATEMENT

	2018/19 £'000
<b>Net (surplus)/ deficit on the provision of Services</b>	<b>(1,074)</b>
Adjustments to net (surplus)/ deficit on the provision of services for non - cash movements	<b>6,957</b>
Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	<b>410</b>
<b>Net Cash flows from operating activities</b>	<b>6,293</b>
Investing activities	<b>(4,530)</b>
Financing activities	<b>(932)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(831)</b>
Cash and Cash equivalents at the beginning of the reporting period	<b>2,019</b>
Cash and Cash equivalents at the end of the reporting period	<b>2,850</b>

## NOTES TO THE GROUP ACCOUNTS

### 1) **General**

Where figures in the group accounts differ materially from the Council's single entity accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the Council's wholly owned subsidiary company Harborough District Commercial Services Ltd (HDCCS) into the Council's accounts.

### 2) **Group Accounting Policies**

The accounting policies of HDCCS have been aligned with the Council's accounting policies contained in note 1. Any statutory adjustments between accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary company.

### 3) **Inclusion within the Group Accounts**

The relation the Council has with an entity over which it has varying degrees of control or influence is classified into the categories of subsidiary, associate or joint venture. The meaning of these terms is outlined below:

Subsidiary – A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent. HDCCS is classified as a subsidiary of Harborough District Council and has therefore been consolidated.

Associate – An associate is an entity over which an investor (the Council) has significant influence.

Joint Venture – A joint venture is a joint arrangement whereby the parties have joint control over the arrangement have rights to the net assets of the arrangement.

The Council does not have any material associate or joint venture arrangements with any other entities.

### 4) **Consolidation of HDCCS**

HDCCS has been consolidated on a line by line basis with all intra-group transactions and balances removed.

HDCCS prepares its year end accounts to the same reporting date, 31 March 2019 as the Council.

The impact of the Companies activities upon the reserves of the Group are as follows:

	<b>31 March 2018 £'000</b>	<b>In year movement 2018/19 £'000</b>	<b>31 March 2019 £'000</b>
Harborough District Council Profit and Loss Reserve	0	(66)	(66)
<b>Total</b>	<b>0</b>	<b>(66)</b>	<b>(66)</b>

In light of the above it is considered unnecessary to produce an Expenditure and Funding Statement for the Group.

The Assets and Liabilities of the Company at the Balance Sheet Date are as follows:

	<b>HDCS Limited £'000</b>	<b>Inter Company £'000</b>	<b>Group Adjustments £'000</b>
Investment Property	3,980	0	3,980
Company Share Capital/Council Investment	(2,150)	2,150	0
Long term loan debtor/creditor	(1,832)	1,832	0
Debtors	11	0	11
Creditor - intercompany	(75)	75	0
<b>Total</b>	<b>(66)</b>	<b>4,057</b>	<b>3,991</b>

## GLOSSARY OF TERMS

### **ACCRUALS**

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

### **ACQUIRED OPERATIONS**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those operations of the local authority that are acquired in the period.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

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

### **ASSETS UNDER CONSTRUCTION**

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

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

### **CASH EQUIVALENTS**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **CONSISTENCY**

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

### **CONTINGENCY**

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

### **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of

independent, single purpose, nominated bodies managing the same activities. There is therefore no logical basis for apportioning these costs to services.

### **CURRENT SERVICE COSTS (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

### **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

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

### **DEFINED BENEFIT SCHEME**

A pension or retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investment of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay. The employer will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **DEPRECIATION**

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

### **DISCONTINUED OPERATIONS**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following statements are approved:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period date on which the financial statements are approved.
- the activities related to the operation have ceased permanently.
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting from either its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.

- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

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

### **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996; the Local Government (Discretionary Payments and Injury Benefits) Regulations (Scotland) 1998; or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

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

Those events, whether favourable or unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorized for issue.

### **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **EXPECTED RATE OF RETURN ON PENSIONS ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **FAIR VALUE**

The fair value of a fixed asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **FINANCE LEASE**

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

### **GOING CONCERN**

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

### **GOVERNMENT GRANTS**

Assistance by the Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.



## **IMPAIRMENT**

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

## **INFRASTRUCTURE ASSETS**

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

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INVENTORIES**

The amount of unused or unconsumed stock held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises, Inventories comprise the following categories:-

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

## **INVESTED RIGHTS**

In relation to a defined benefit scheme, these are:

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

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

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

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

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

## **INVESTMENTS (PENSIONS FUND)**

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

## **INVESTMENT PROPERTIES**

Interest in land and/or buildings:-

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

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

## **NET BOOK VALUE**

The amount at which fixed assets are included within the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

## **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## **NON-DISTRIBUTED COSTS**

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

## **NON-OPERATIONAL ASSETS**

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

## **OPERATING LEASES**

A lease other than a finance lease.

## **OPERATIONAL ASSETS**

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

## **PAST SERVICE COST**

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

## **PRIOR YEAR ADJUSTMENTS**

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

## **PROJECTED UNIT METHOD**

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

- the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

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

## **PRUDENCE**

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

## **RESEARCH AND DEVELOPMENT**

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

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

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

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

- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

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

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

### **SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **SETTLEMENT**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

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

### **USEFUL LIFE**

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

