DISTRICT OF HARBOROUGH

# STATEMENT OF ACCOUNTS 2014/15

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## APPROVAL OF THE ACCOUNTS

This Statement of Accounts was approved and adopted by Harborough District Council's Governance and Audit Committee at its meeting in September 2015.

**Councillor**
**Chairman, Governance and Audit Committee**
**29 September 2015**

## EXPLANATORY FOREWORD

The purpose of this foreword is to assist the reader's understanding of the Financial Statements and to provide a commentary on the Council's financial position

### 1. Financial Statements

The Council's Financial Statements for the year ended 31 March 2015 are set out on pages 11 to 77 and consist of:

- **The Movement in Reserves Statement –** shows the movement during the year between the Council's "usable reserves" (i.e. those that can be used to fund expenditure or reduce Council Tax) and "unusable reserves". The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council's services. Also included are adjustments to ensure the General Fund balance is only charged with statutory expenditure plus contributions to/from earmarked reserves.

- **The Comprehensive Income and Expenditure Statement –** reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The Income and Expenditure Account has been compiled in accordance with the Service Reporting Code of Practice 2014/15.

- **The Balance Sheet –** shows the Council's overall financial position at the financial year end.

- **The Cash Flow Statement –** a summary of the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet.

- **The Collection Fund –** shows the transactions of the Council in relation to non-domestic rates and council tax. It illustrates the way in which these have been distributed to precepting authorities and the General Fund.

### 2. Other Statements

- **The Statement of Responsibilities for the Statement of Accounts –** sets out the principal responsibilities of the Council and its officers in relation to the Financial Statements.

- **The Annual Governance Statement –** sets out the framework within which the financial and operational control is managed and reviewed and the main components of the system of control, including the arrangements for internal audit. This report is presented separately and will be incorporated into the audited accounts in September.

## 3. Revenue Funding in 2014/15

The main sources of revenue income available to pay for the Council's services are illustrated below.

| 2013/14 Actual Income £'000 | | 2014/15 Approved Budget £'000 | 2014/15 Revised Budget £'000 | 2014/15 Actual Income £'000 |
|---|---|---|---|---|
| (6,362) | Council Tax | (6,493) | (6,493) | (6,602) |
| (22,551) | Government Grants and Other Contributions | (20,851) | (20,167) | (21,277) |
| (76) | Interest Receivable | (96) | (96) | (69) |
| (8,096) | Fees and Charges | (7,535) | (7,859) | (8,428) |
| (2,851) | Contribution from Balances | (708) | (1,484) | (1,683) |
| **(39,936)** | **Total Revenue Income** | **(35,683)** | **(36,099)** | **(38,059)** |

## 4. Revenue Expenditure in 2014/15

The table below shows the Council's main areas of expenditure incurred in the provision of its services. Running expenses include premises related costs, travel costs, purchase of supplies and services and contractual expenditure. Capital financing costs include the repayment of principal and interest on long term loans taken out to finance fixed assets.

| 2013/14 Actual Expenditure £'000 | | 2014/15 Approved Budget £'000 | 2014/15 Revised Budget £'000 | 2014/15 Actual Expenditure £'000 |
|---|---|---|---|---|
| 7,064 | Employees | 7,175 | 7,035 | 7,078 |
| 14,115 | Running Expenses | 16,424 | 14,911 | 14,808 |
| 11,609 | Housing Benefits | 11,581 | 11,710 | 11,653 |
| 4,929 | Capital Financing | 503 | 503 | 881 |
| 2,219 | Contribution to Balances | 0 | 1,940 | 3,639 |
| **39,936** | **Total Revenue Spending** | **35,683** | **36,099** | **38,059** |

## 5. The General Fund

The net expenditure on General Fund services for 2014/15 is compared below with both the original and revised budgets for the year.

| | 2014/15 Approved Budget £'000 | 2014/15 Revised Budget £'000 | 2014/15 Actual Spend £'000 |
|---|---|---|---|
| **Net Expenditure per I&E Account:** | | | |
| Adult Social Care | 170 | 173 | 204 |
| Central Services to the Public | 1,374 | 1,096 | 1,101 |
| Children's and Education Services | 32 | 6 | 5 |
| Cultural & Related Services | 1,675 | 1,770 | 1,786 |
| Corporate and Democratic Core | 1,785 | 1,785 | 1,918 |
| Environmental and Regulatory Services | 3,864 | 3,813 | 4,201 |
| Highways and Transport Services | (218) | (321) | (395) |
| Housing Services | 1,091 | 1,079 | 1,185 |
| Non Distributed Costs | 339 | 486 | 271 |
| Planning Services | 991 | 1,585 | 1,708 |
| | 11,103 | 11,472 | 11,984 |
| Central Items | (95) | (514) | 163 |
| Parish Precepts | 1,157 | 1,157 | 1,157 |
| Income from Council Tax | (6,493) | (6,493) | (6,602) |
| General Grants & Share of Business Rates | (5,672) | (5,622) | (5,687) |
| **Contribution from/(to) General Balances** | **0** | **0** | **1,015** |

The Categories of expenditure are those required under the Service Reporting Codes of Practice (SeRCOP).

## 6. Capital Expenditure and Finance

The Council spent £1,477,502 on capital schemes during 2014/15 representing an underspend against the approved Capital Programme of £602,298. Of the aforementioned underspend, £477,725 has been carried forward to 2015/16. An analysis of the expenditure and how it was financed appears below.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Capital Expenditure: | | |
| - Car Parking | 0 | 2 |
| - Leisure & Recreation | 295 | 583 |
| - Flood Prevention | 15 | 12 |
| - Recycling | (2) | 0 |
| - Private Sector Housing | 563 | 544 |
| - HDC Office Redevelopment | 5,337 | 120 |
| - Other Property | 524 | 128 |
| - Other | 257 | 88 |
| | **6,989** | **1,477** |
| Financing | | |
| - Unsupported Borrowing | (2,369) | (755) |
| - Capital Receipts | 0 | 0 |
| - Government Grants | (226) | (163) |
| - Direct Revenue Funding | (1,793) | (10) |
| - Contributions from Developers etc | (2,601) | (549) |
| | **(6,989)** | **(1,477)** |

| | 2014/15 £'000 |
|---|---|
| Capital Slippage: | |
| - Redevelop Orchard Rd Car Park, Broughton Astley | 120 |
| - HDC Office Redevelopment | 50 |
| - Rebuild Churchyard Walls | 28 |
| - Refurbish War Memorial, St Wilfrids, The Kibworths | 19 |
| - S106 Grant Award, Rehearsal Room | 30 |
| - Flood Prevention | 40 |
| - ICT Workstream | 144 |
| - Other | 47 |
| | **478** |

## 7. Pension Fund Liability

Harborough District Council's estimated share of the net Pension Fund liability at 31 March 2015 disclosed in the notes to the balance sheet is £32,852,000, an increase of £5,794,000 against the previous year. Although this liability appears in the Council's balance sheet it is offset by the Pensions Reserve, movements on which are charged or credited to the Income and Expenditure Account, ensuring that there is no impact on the level of council tax.

The level of Pension Fund liabilities significantly increased in the latest review under IAS 19, due to falling bond yields, poor asset returns and reduced expected asset rates of return assumptions. The Pension Fund has an actuarial valuation to calculate

the rate Harborough District Council contributes as an employer to the Pension Fund; this is undertaken every 3 years with the results of the latest review being issued late 2013. This review increased the requirement to pay a higher contribution to the fund. The rate in 2014/15 was 22% in order to reduce the potential fund liabilities. The review also factored in an increase to 24% in 2015/16 and 25.9% for 2016/17.

## 8. Borrowing Facilities

The introduction, on 1 April 2004, of CIPFA's Prudential Code for Capital Finance in Local Authorities, has given the Council freedom to raise finance for capital expenditure and operational requirements from a number of approved borrowing instruments subject to it not exceeding its authorised limit for external debt. The Council's Annual Treasury Strategy, approved on 24 February 2014, sets a range of prudential indicators including the authorised and operational limits on borrowing. The limits in place for 2014/15 are shown in the table below compared to actual borrowing, and the borrowing position for the preceding year.

| | **2013/14 £'000** | **2014/15 £'000** |
|---|---|---|
| Borrowing limits | | |
| - Authorised Limit | 8,000 | 8,000 |
| - Operational Boundary | 7,000 | 7,000 |
| Actual Borrowing | | |
| - Long Term | 1,490 | 1,490 |
| - Short Term | 15 | 15 |
| **Total** | **1,505** | **1,505** |

## 9. Internal and External Sources of Funds

The table below sets out the resources available to the Council to meet its capital expenditure plans and other financial commitments.

| | **31 March 2014 £'000** | **31 March 2015 £'000** |
|---|---|---|
| Revenue Reserves: | | |
| - General Fund Working Balance | 1,522 | 3,748 |
| - General Reserve | 1,629 | 1,382 |
| - Earmarked Reserves | 3,833 | 3,811 |
| | **6,984** | **8,941** |
| Other Resources | | |
| - Usable Capital Receipts | 898 | 1,689 |
| - Section 106 Contributions | 1,537 | 1,908 |
| - Other Capital Contributions | 61 | 80 |
| | **2,496** | **3,677** |

## 10. Further Information

Further information about the Council's accounts is available from the Finance Services Manager, The Symington Building, Adam and Eve Street, Market Harborough LE16 7AG or email HDCfinance@harborough.gov.uk.

Members of the public have a statutory right to inspect the accounts on deposit for audit purposes. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

## Critical Judgements in Applying Accounting Policies

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

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

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| **Pensions Liability** | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Leicestershire County Council to provide all Leicestershire authorities with expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £7,355,000. However, the assumptions interact in complex ways. During 2014/15 the Authority's actuaries advised that the net pensions liability increased by £5,794,000. This is as a result of changes to actuarial gains on assets and liabilities. |
| **Arrears** | At the 31st March 2015, Harborough District Council had a balance for sundry debtors of £1,199,863. A review of significant balances resulted in a provision of £343,200 (29%), mainly in relation to S106 schemes. | If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts of 5% would result in an additional £60,000 needing to be set aside as an allowance. |

# Post Balance Sheet Events

There are no significant events arising after the Balance Sheet date that would have a material impact on the accounts.

# 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 2015, according to the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain.

# SECTION 151 OFFICER'S CERTIFICATION

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

I have:

- selected suitable accounting policies and applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice;

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed:

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

Date:

## MOVEMENT IN RESERVES STATEMENT

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

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

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

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

| | Usable Reserves (£'000) | | | | | | Unusable Reserves (£'000) | | | | | | | | (£'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 | Capital Adjustment Account | Deferred Capital Reciepts | Collection Fund Adjustment Account | Pension Reserve | Accumul'd Absences Account | **Total Unusable Reserves** | **Total Authority Reserves** |
| **Balance at 31 March 2013 carried forward** | **1,530** | **4,107** | **1,952** | **691** | **27** | **8,307** | **(8)** | **1,825** | **20,817** | **0** | **26** | **(21,179)** | **(59)** | **1,422** | **9,729** |
| **Movement in reserves during 2013/14** | | | | | | | | | | | | | | | |
| Surplus or (deficit) on provision of services (accounting basis) | 757 | | | | | **757** | | | | | | | | **0** | **757** |
| Other Comprehensive Income and Expenditure | | | | | | **0** | | 3,674 | | | 1 | (5,077) | | **(1,402)** | **(1,402)** |
| **Total Comprehensive Income and Expenditure** | **757** | **0** | **0** | **0** | **0** | **757** | **0** | **3,674** | **0** | **0** | **1** | **(5,077)** | **0** | **(1,402)** | **(645)** |
| Adjustments between accounting basis and funding basis under regulations (note 6) | (1,362) | 0 | 0 | 207 | 0 | **(1,155)** | 7 | (103) | 1,741 | 0 | 309 | (802) | 3 | **1,155** | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(605)** | **0** | **0** | **207** | **0** | **(398)** | **7** | **3,571** | **1,741** | **0** | **310** | **(5,879)** | **3** | **(247)** | **(645)** |
| Transfers to/from Earmarked Reserves (note 7) | 597 | (274) | (323) | 0 | | **0** | | | | | | | | **0** | **0** |
| **Increase/Decrease in year** | **(8)** | **(274)** | **(323)** | **207** | **0** | **(398)** | **7** | **3,571** | **1,741** | **0** | **310** | **(5,879)** | **3** | **(247)** | **(645)** |
| **Balance at 31 March 2014 carried forward** | **1,522** | **3,833** | **1,629** | **898** | **27** | **7,909** | **(1)** | **5,396** | **22,558** | **0** | **336** | **(27,058)** | **(56)** | **1,175** | **9,084** |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing services in accordance with Generally Accepted Accounting Practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in Reserves Statement.

| Restated 31 March 2014 | | | | Note | 31 March 2015 | | |
|---|---|---|---|---|---|---|---|
| Exp £'000 | Income £'000 | Net £'000 | | | Exp £'000 | Income £'000 | Net £'000 |
| 417 | (243) | 174 | Adult Social Care | | 444 | (240) | 204 |
| 4,645 | (3,531) | 1,114 | Central Services to the Public | | 1,754 | (653) | 1,101 |
| 449 | (434) | 15 | Children's and Education Services | | 431 | (426) | 5 |
| 2,058 | (361) | 1,697 | Cultural and Related Services | | 2,517 | (731) | 1,786 |
| 2,229 | (142) | 2,087 | Corporate and Democratic Core | | 2,068 | (150) | 1,918 |
| 7,756 | (3,552) | 4,204 | Environmental and Regulatory Services | | 7,793 | (3,592) | 4,201 |
| 1,133 | (1,326) | (193) | Highways and Transport Services | | 996 | (1,391) | (395) |
| 13,351 | (12,745) | 606 | Housing Services | | 13,624 | (12,439) | 1,185 |
| 3,695 | (2,091) | 1,604 | Non-distributed Costs | | 2,191 | (1,920) | 271 |
| 2,979 | (2,004) | 975 | Planning Services | | 3,526 | (1,818) | 1,708 |
| **38,712** | **(26,429)** | **12,283** | **Cost of Services** | | **35,344** | **(23,360)** | **11,984** |
| 1,594 | (930) | 664 | Other Operating Expenditure | **9** | 1,878 | (1,374) | 504 |
| 1,021 | (76) | 945 | Financing and Investment Income and Expenditure | **10** | 1,237 | (69) | 1,168 |
| 940 | (15,589) | (14,649) | Taxation and Non-specific Grant Income | **11** | 496 | (13,137) | (12,641) |
| | | **(757)** | **(Surplus)/Deficit on Provision of Services** | **8** | | | **1,015** |
| | | (3,674) | (Surplus)/Deficit on Revaluation of Fixed Assets | **26** | | | (1,813) |
| | | 0 | (Surplus)/Deficit on Revaluation of Available for Sale Financial Assets | | | | 0 |
| | | 5,077 | (Actuarial Gains)/Losses on Pension Assets/Liabilities | **29** | | | 4,690 |
| | | **1,403** | **Other Comprehensive (Income) and Expenditure** | | | | **2,877** |
| | | **646** | **Total Comprehensive (Income) and Expenditure** | | | | **3,892** |

## BALANCE SHEET

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

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

| Restated 31 March 2014 £'000 | | Note | 31 March 2015 £'000 |
|---|---|---|---|
| 32,837 | Property, Plant & Equipment | **12** | 34,033 |
| 0 | Heritage Assets | **18** | 15 |
| 330 | Intangible Assets | **16** | 295 |
| 450 | Assets under Construction | **12** | 0 |
| 13 | Long Term Debtors | **20** | 7 |
| **33,630** | **Long Term Assets** | | **34,350** |
| 9,000 | Short Term Investments | **17** | 10,000 |
| 134 | Assets held for Sale < 1 Year | **15** | 40 |
| 75 | Inventories | **19** | 70 |
| 2,201 | Short Term Debtors | **20** | 4,124 |
| 531 | Cash and Cash Equivalents | **21** | 2,175 |
| **11,941** | | | **16,409** |
| (15) | Short Term Borrowings | **17** | (15) |
| (799) | Bank overdraft | **21** | 0 |
| (5,341) | Short Term Creditors | **22** | (8,025) |
| (213) | Short Term Provisions | **23** | (1,540) |
| **(6,368)** | **Current Liabilities** | | **(9,580)** |
| (1,490) | Long Term Borrowing | **17** | (1,490) |
| (27,058) | Pension Liability Account | **43c** | (32,852) |
| (1,571) | Grants Received in Advance | **39b** | (1,645) |
| **(30,119)** | **Long Term Liabilities** | | **(35,987)** |
| **9,084** | **Net Assets** | | **5,192** |
| 7,909 | Usable Reserves | **MiRS** | 10,973 |
| 1,175 | Unusable Reserves | **24** | (5,781) |
| **9,084** | **Total Reserves** | | **5,192** |

**Certificate of the Section 151 officer**

I certify that the accounts set out on pages 2 to 84 present a true and fair view of the financial position of Harborough District Council at 31 March 2015, and its income and expenditure for the year ended 31 March 2015.

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

## CASH FLOW STATEMENT

| 2013/14 £'000 | | 2014/15 £'000 | Note |
|---|---|---|---|
| **(757)** | **Net surplus on the provision of Services** | **1,015** | |
| **(1,149)** | Adjustments to net surplus on the provision of services for non -cash movements | **93** | |
| **5,806** | Adjustments for items included in the net surplus on the provision of services that are investing or financing activities | **949** | |
| **3,900** | **Net Cash flows from operating activities** | **2,057** | |
| **(5,808)** | Investing activities | **(922)** | 32 |
| **1,249** | Financing activities | **1,308** | 33 |
| **(659)** | **Net increase/(decrease) in cash and cash equivalents** | **2,443** | |
| **391** | Cash and Cash equivalents at the beginning of the reporting period | **(268)** | |
| **(268)** | Cash and Cash equivalents at the end of the reporting period | **2,175** | |

# NOTES TO THE FINANCIAL STATEMENTS

## 1) Summary of Significant Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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 2014/15 (based on International Financial Reporting Standards).

There are no changes in Accounting Treatment for the year.

### c) Accruals of Income and Expenditure

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

**i)** ***Customer and Client Receipts*** – all sales, fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

**ii)** ***Employee Costs*** – the full cost of employees has been included for the period 1 April 2014 to 31 March 2015. 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 2014 to 28 February 2015. This policy has been applied consistently between years, and does not have a material effect on the accounts.

**iii)** ***Interest*** – interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

## d) Cash and Cash Equivalents

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

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

## e) Contingent Assets and Liabilities

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

## f) Employee Benefits

### i) Benefits payable during employment

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

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

### ii) Termination Benefits

Termination benefits are amounts payable as a result of the council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Net Cost of Services line in the Comprehensive Income & Expenditure Statement

when the council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

The attributable assets of the scheme are measured at fair value, usually based on market value at 'bid prices'.

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there

are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

## g) Estimation Techniques

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

**i)** ***Impairments*** – calculated by reference to the length of time the debt has been overdue, i.e. the older the debt the greater the provision (see notes to the core financial statements).

**ii)** ***Depreciation*** – depreciation is calculated using the straight line method in accordance with the estimated remaining useful life of the asset, as provided by the Council's appointed independent valuer (see notes to the core financial statements).

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

**i)** ***Exceptional items*** – material items arising from events or transactions that fall within the ordinary activities of the Council. They are either included in the cost of service to which they relate, or separately on the face of the Comprehensive Income and Expenditure Statement if their degree of materiality so requires, in order to give a fair presentation of the accounts.

**ii)** ***Extraordinary items*** – material items which arise from events or transactions falling outside the ordinary activities of the Council. They are disclosed separately on the face of the Income and Expenditure Account and explained in a note to the accounting statements.

**iii)** ***Prior year adjustments*** – material adjustments applicable to prior years which may arise from changes in accounting policies or from the correction of material errors. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Authority's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and

comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected by amending opening balances and comparatives amounts for the prior period.

## i) Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

## j) Financial Instruments

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

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

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

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

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

a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Financial Assets are classified into two types:

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

**Loans and Receivables** are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

**Available-for-sale assets** are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Instruments with quoted market prices which the Council holds are held at the market price.

## k) Foreign Currency Translation

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

## l) Government Grants and Other Contributions

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

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

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

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

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

**m) <u>Intangible Fixed Assets (Excluding Goodwill and Development Expenditure)</u>**

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement of Reserves

Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**n) Leases**

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

**i)** Finance leases
The Council does not presently have any assets acquired by way of finance lease.

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

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

**o) Overheads**

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees taking early retirement.

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

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

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

**i) Recognition**
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the

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

**ii) Measurement**

Assets are initially measured at cost, comprising

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

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

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

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

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

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

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

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

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

**iii) Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are

estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

**iv) Depreciation**

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

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

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

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

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

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

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

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

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

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

**q) Provisions**

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

**r) Reserves**

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

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

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

## s) Revenue Expenditure Funded from Capital Under Statute

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

## t) Inventories and Long Term Contracts

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

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

## u) Value Added Tax

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

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

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

"...depreciation attributable to the assets used by the relevant service."
"…revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off."
"…amortisation of intangible assets attributable to the service."

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

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

**w) Investment Property**

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

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length.

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.

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

## 2) Changes in accounting estimates

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

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

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

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2014.

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

A number of new and revised standards have been issued addressing fair value measurement, levies and improvements. These include:

- **IFRS 13 Fair Value Measurement –** This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as a present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

- **IFRIC 21 Levies –** This standard provides guidance on levies imposed by government in the financial statements of the entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy payable only if the threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

- **Annual Improvements to IFRSs (2011 – 2013 Cycle) –** These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

## 4) Prior Period Errors

There are no prior period errors.

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

Prior period adjustments have been made to the Council's 2013/14 published financial statements in relation to the following:

Disclosure of Provisions
Provisions are now shown on the face of the balance sheet and in the related note.

Inclusion of Collection Fund Items in CIES
The treatment of NNDR items has been revised in accordance with new guidance and reflected in the Central Services to the Public and Taxation and Non-specific Grant Income lines on the CIES.

## 6) Notes to Movement In Reserves Statement

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

| 2014/15 | Usable Reserves (£'000) | | | | Unusable Reserves (£'000) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total | Financial Instruments Adjustment | Revaluation Reserve | Capital Adjustment Account | Deferred Capital Receipts | Collection Fund Adjustment Account | Pension Reserve | Accumulated Absences Account | Total |
| **Adjustments involving the Capital Adjustment Account** | | | | | | | | | | | | |
| **Reversal of Items DR/CR to the CIES** | | | | | | | | | | | | |
| Charges for Depreciation and impairment of non-current assets | (1,400) | | | (1,400) | | 273 | 1,127 | | | | | 1,400 |
| Amortisation of intangible assets | (107) | | | (107) | | | 107 | | | | | 107 |
| Capital grants and contributions applied | 684 | | | 684 | | | (684) | | | | | (684) |
| Revenue expenditure funded from capital under statute | (1,006) | | | (1,006) | | | 1,006 | | | | | 1,006 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (646) | | | (646) | | | 646 | | | | | 646 |
| **Insertion of items not DR/CR to the CIES** | | | | | | | | | | | | |
| Statutory provision for the financing of capital investment | 479 | | | 479 | | | (479) | | | | | (479) |
| Capital expenditure charged against the GF and HRA Balances | 10 | | | 10 | | | (10) | | | | | (10) |
| **Adjustments primarily involving the Capital Grants Unapplied Account** | | | | | | | | | | | | |
| Capital grant and contributions unapplied credited to the CIES | 345 | | (345) | 0 | | | | | | | | 0 |
| Application of grants to capital financing | | | 29 | 29 | | | (29) | | | | | (29) |
| **Adjustments primarily involving the Capital Receipts Reserve** | | | | | | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES | 795 | (795) | | 0 | | | | | | | | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 0 | | 0 | | | 0 | | | | | 0 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | (4) | 4 | | 0 | | | | | | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 0 | 0 | | 0 | | | | | | | | 0 |
| **Adjustments primarily involving the deferred Capital Receipts Reserve** | | | | | | | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | | 0 | | 0 | | | | | | | | 0 |
| **Adjustments primarily involving the Financial Instruments Adjustment Account** | | | | | | | | | | | | |
| 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) |
| **Adjustments primarily involving the Pension Reserve** | | | | | | | | | | | | |
| Reversal of items relating to retirement benefits DR/CR to CIES | (2,218) | | | (2,218) | | | | | | 2,218 | | 2,218 |
| Employers pension contributions and direct payments to pensioners payable in the year | 1,114 | | | 1,114 | | | | | | (1,114) | | (1,114) |
| **Adjustments primarily involving the Collection Fund Adjustments Account** | | | | | | | | | | | | |
| Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements | (1,010) | | | (1,010) | | | | | 1,010 | | | 1,010 |
| **Adjustment primarily involving Accumulated Absences Account** | | | | | | | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (9) | | | (9) | | | | | | | 9 | 9 |
| **Total Adjustments** | **(2,972)** | **(791)** | **(316)** | **(4,079)** | **(1)** | **273** | **1,684** | **0** | **1,010** | **1,104** | **9** | **4,079** |

| 2013/14 | 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 |
| **Adjustments involving the Capital Adjustment Account** | | | | | | | | | | | | |
| **Reversal of Items DR/CR to the CIES** | | | | | | | | | | | | |
| Charges for Depreciation and impairment of non-current assets | (2,578) | | | (2,578) | | 103 | 2,475 | | | | | 2,578 |
| Amortisation of intangible assets | (103) | | | (103) | | | 103 | | | | | 103 |
| Capital grants and contributions applied | 2,828 | | | 2,828 | | | (2,828) | | | | | (2,828) |
| Revenue expenditure funded from capital under statute | (784) | | | (784) | | | 784 | | | | | 784 |
| | | | | | | | | | | | | |
| **Insertion of items not DR/CR to the CIES** | | | | | | | | | | | | |
| Statutory provision for the financing of capital investment | 420 | | | 420 | | | (420) | | | | | (420) |
| Capital expenditure charged against the GF and HRA Balances | 1,793 | | | 1,793 | | | (1,793) | | | | | (1,793) |
| **Adjustments primarily involving the Capital Grants Unapplied Account** | | | | | | | | | | | | |
| Capital grant and contributions unapplied credited to the CIES | 0 | | | 0 | | | | | | | | 0 |
| Application of grants to capital financing | | | 0 | 0 | | | | | | | | 0 |
| **Adjustments primarily involving the Capital Receipts Reserve** | | | | | | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES | 269 | (269) | | 0 | | | | | | | | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 62 | | 62 | | | (62) | | | | | (62) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 0 | 0 | | 0 | | | | | | | | 0 |
| **Adjustments primarily involving the deferred Capital Receipts Reserve** | | | | | | | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | | 0 | | 0 | | | | | | | | 0 |
| **Adjustments primarily involving the Financial Instruments Adjustment Account** | | | | | | | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 7 | | | 7 | (7) | | | | | | | (7) |
| **Adjustments primarily involving the Pension Reserve** | | | | | | | | | | | | |
| Reversal of items relating to retirement benefits DR/CR to CIES | (2,027) | | | (2,027) | | | | | | 2,027 | | 2,027 |
| Employers pension contributions and direct payments to pensioners payable in the year | 1,225 | | | 1,225 | | | | | | (1,225) | | (1,225) |
| **Adjustments primarily involving the Collection Fund Adjustments Account** | | | | | | | | | | | | |
| 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 | 309 | | | 309 | | | | | (309) | | | (309) |
| **Adjustment primarily involving Accumulated Absences Account** | | | | | | | | | | | | |
| 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) |
| **Total Adjustments** | **1,362** | **(207)** | **0** | **1,155** | **(7)** | **103** | **(1,741)** | **0** | **(309)** | **802** | **(3)** | **(1,155)** |

## 7) Transfers to/from Earmarked Reserves

| Reserve | Balance 31 March 2013 | Transfers Out | Transfers In | Balance 31 March 2014 | Transfers Out | Transfers In | Balance 31 March 2015 |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Earmarked Reserves: | | | | | | | |
| Business rates growth | 0 | | (903) | (903) | 250 | (495) | (1,148) |
| Individual electoral registration | 0 | | (10) | (10) | | (7) | (17) |
| Publication of datasets project | 0 | | (7) | (7) | 7 | | 0 |
| Elections | (120) | | | (120) | | | (120) |
| Asset Management | (160) | | | (160) | | | (160) |
| Local Development Framework | (366) | 36 | | (330) | 109 | (74) | (295) |
| VAT Shelter | (31) | 37 | (221) | (215) | | (254) | (469) |
| Organisational Capacity | (170) | | | (170) | | | (170) |
| Business Support | (50) | 50 | | 0 | | | 0 |
| Harborough Innovation Centre | (1) | 1 | | 0 | | | 0 |
| Training & Development | (46) | | | (46) | | | (46) |
| Developer Commuted Contributions | (437) | 53 | | (384) | 52 | | (332) |
| New Homes Bonus | (849) | 39 | | (810) | 250 | | (560) |
| New Homes Bonus - Locality Fund | 0 | 157 | (250) | (93) | 93 | (175) | (175) |
| Broadband | (255) | | (275) | (530) | 530 | | 0 |
| Revenues & Benefits | (28) | 13 | (40) | (55) | | (26) | (81) |
| Asset Acquisition & Development | (1,594) | 1,594 | | 0 | | | 0 |
| Health & Wellbeing Forum | 0 | | | 0 | | (22) | (22) |
| Physical Activity | 0 | | | 0 | | (113) | (113) |
| Recreation Development | 0 | | | 0 | | (4) | (4) |
| Community Safety Partnership | 0 | | | 0 | | (33) | (33) |
| Sure Start | 0 | | | 0 | | (18) | (18) |
| OPCC | 0 | | | 0 | | (8) | (8) |
| Energy Promotion | 0 | | | 0 | | (5) | (5) |
| VAT Claim Reserve | 0 | | | 0 | | (35) | (35) |
| | (4,107) | 1,980 | (1,706) | (3,833) | 1,291 | (1,269) | (3,811) |
| General Fund Reserve | (1,952) | 323 | | (1,629) | 247 | | (1,382) |
| | **(6,059)** | **2,303** | **(1,706)** | **(5,462)** | **1,538** | **(1,269)** | **(5,193)** |

## 8) Amounts Reported for Resource Allocation

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

| | REVENUE SERVICES BY PORTFOLIOS FOR MANAGEMENT REPORTING PURPOSES | | | | | | |
|---|---|---|---|---|---|---|---|
| | Economic Prosperity | Corporate Services | Finance, Assets & Development Planning | Environment & Waste | Community Wellbeing | Community Safety & Regulatory | Total |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Fees, charges & other service income | (581) | (1,393) | (1,674) | (2,167) | (37) | (1,688) | **(7,540)** |
| Government grants | 0 | (12,098) | (171) | (20) | (1,117) | (164) | **(13,570)** |
| **Total Income** | **(581)** | **(13,491)** | **(1,845)** | **(2,187)** | **(1,154)** | **(1,852)** | **(21,110)** |
| Employee expenses | 50 | 2,990 | 2,074 | 352 | 212 | 1,342 | **7,020** |
| Other operating expenses | 1,031 | 9,960 | 1,442 | 4,585 | 1,045 | (78) | **17,985** |
| Support Service Recharges | 939 | 2,656 | 1,778 | 904 | 385 | 1,593 | **8,255** |
| **Total Expenditure** | **2,020** | **15,606** | **5,294** | **5,841** | **1,642** | **2,857** | **33,260** |
| **Net Expenditure** | **1,439** | **2,115** | **3,449** | **3,654** | **488** | **1,005** | **12,150** |

| **Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement** | £000s |
|---|---|
| Cost of Services in Service Analysis | **12,150** |
| Add: Amounts not reported to management | **0** |
| **Net Cost of Services in Comprehensive Income and Expenditure Statement** | **12,150** |

| | Portfolio Analysis | Amounts not reported to Management | Allocation of Recharges | Net cost of Services | Net Corporate Amounts | Total |
|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Fees, charges & other service income | (7,540) | 0 | 0 | **(7,540)** | (254) | **(7,794)** |
| Interest and investment income | 0 | 0 | 0 | **0** | (69) | **(69)** |
| Income from council tax | 0 | 0 | 0 | **0** | (6,602) | **(6,602)** |
| Government grants and contributions | (13,570) | 0 | 0 | **(13,570)** | (5,965) | **(19,535)** |
| **Total Income** | **(21,110)** | **0** | **0** | **(21,110)** | **(12,890)** | **(34,000)** |
| Employee expenses | 7,020 | 0 | 0 | **7,020** | 1,162 | **8,182** |
| Other service expenses | 17,985 | 0 | 0 | **17,985** | 7 | **17,992** |
| Support Service recharges | 8,255 | 0 | 0 | **8,255** | 0 | **8,255** |
| Depreciation, amortisation and impairment | 0 | 0 | 0 | **0** | 0 | **0** |
| Interest Payments | 0 | 0 | 0 | **0** | 75 | **75** |
| Precepts & Levies | 0 | 0 | 0 | **0** | 1,157 | **1,157** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | **0** | 0 | **0** |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | **0** | (646) | **(646)** |
| **Total Expenditure** | **33,260** | **0** | **0** | **33,260** | **1,755** | **35,015** |
| **(Surplus)/deficit on the provision of services** | **12,150** | **0** | **0** | **12,150** | **(11,135)** | **1,015** |

## 2013/14 note (Restated)

| REVENUE SERVICES BY PORTFOLIOS FOR MANAGEMENT REPORTING PURPOSES | Business Growth | Corporate Services | Finance, Efficiency & Assets | Health & Community | Plan Environment & Conservation | Regulatory Safety | Total |
|---|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Fees, charges & other service income | (441) | (414) | (1,441) | (139) | (3,368) | (1,635) | **(7,438)** |
| Government grants | 0 | (16) | (15,352) | (709) | (323) | 0 | **(16,400)** |
| **Total Income** | **(441)** | **(430)** | **(16,793)** | **(848)** | **(3,691)** | **(1,635)** | **(23,838)** |
| Employee expenses | 9 | 2,366 | 922 | 262 | 1,690 | 1,278 | **6,527** |
| Other operating expenses | 550 | (2,409) | 17,199 | 1,439 | 5,207 | (277) | **21,709** |
| Support Service Recharges | 9 | 2,565 | 1,278 | 420 | 2,326 | 1,513 | **8,111** |
| **Total Expenditure** | **568** | **2,522** | **19,399** | **2,121** | **9,223** | **2,514** | **36,347** |
| **Net Expenditure** | **127** | **2,092** | **2,606** | **1,273** | **5,532** | **879** | **12,509** |

| **Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement** | £000s |
|---|---|
| Cost of Services in Service Analysis | **12,509** |
| Add: Amounts not reported to management | **0** |
| **Net Cost of Services in Comprehensive Income and Expenditure Statement** | **12,509** |

| | Portfolio Analysis | Amounts not reported to Management | Allocation of Recharges | Net cost of Services | Net Corporate Amounts | Total |
|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Fees, charges & other service income | (7,438) | | 0 | **(7,438)** | (221) | **(7,659)** |
| Interest and investment income | | | | **0** | (76) | **(76)** |
| Income from council tax | | | | **0** | (6,367) | **(6,367)** |
| Government grants and contributions | (16,400) | | | **(16,400)** | (8,213) | **(24,613)** |
| **Total Income** | **(23,838)** | **0** | **0** | **(23,838)** | **(14,877)** | **(38,715)** |
| Employee expenses | 6,527 | | | **6,527** | 946 | **7,473** |
| Other service expenses | 21,709 | | | **21,709** | 0 | **21,709** |
| Support Service recharges | 8,111 | | | **8,111** | 0 | **8,111** |
| Depreciation, amortisation and impairment | | | | **0** | 0 | **0** |
| Interest Payments | | | | **0** | 75 | **75** |
| Precepts & Levies | | | | **0** | 1,096 | **1,096** |
| Payments to Housing Capital Receipts Pool | | | | **0** | 0 | **0** |
| Gain or Loss on Disposal of Fixed Assets | | | | **0** | (506) | **(506)** |
| **Total Expenditure** | **36,347** | **0** | **0** | **36,347** | **1,611** | **37,958** |
| **(Surplus)/deficit on the provision of services** | **12,509** | **0** | **0** | **12,509** | **(13,266)** | **(757)** |

## 9) Other Operating Expenditure

| Exp £'000 | Income £'000 | 2013/14 £'000 | | Exp £'000 | Income £'000 | 2014/15 £'000 |
|---|---|---|---|---|---|---|
| 1,091 | 0 | 1,091 | Precepts paid to Parish Councils | 1,157 | 0 | 1,157 |
| 74 | 0 | 74 | Council tax support grant to parishes | 74 | 0 | 74 |
| 0 | (506) | (506) | Disposal of Capital Interests | 150 | (796) | (646) |
| 0 | (221) | (221) | Income from VAT Shelter | 0 | (254) | (254) |
| 429 | (203) | 226 | Total net surplus(-)/deficit from Market Hall Trading Operation | 497 | (324) | 173 |
| **1,594** | **(930)** | **664** | **Other Operating Expenditure** | **1,878** | **(1,374)** | **504** |

## 10) Financing & Investment Income & Expenditure

| Exp £'000 | Income £'000 | 2013/14 £'000 | | Exp £'000 | Income £'000 | 2014/15 £'000 |
|---|---|---|---|---|---|---|
| 75 | 0 | 75 | Interest payable (including finance leases) | 75 | 0 | 75 |
| 0 | (76) | (76) | Interest & investment income | 0 | (69) | (69) |
| 946 | 0 | 946 | Pensions Interest Costs & Expected Return on Assets | 1,162 | 0 | 1,162 |
| **1,021** | **(76)** | **945** | **Financing & Investment Income & Expenditure** | **1,237** | **(69)** | **1,168** |

## 11) Taxation & Non-specific Grant Income

| Exp £'000 | Income £'000 | Restated 2013/14 £'000 | | Exp £'000 | Income £'000 | 2014/15 £'000 |
|---|---|---|---|---|---|---|
| | (3,883) | (3,883) | General Government Grants & Contributions | | (4,061) | (4,061) |
| | (2,266) | (2,266) | Capital Grant & Contribution | | (352) | (352) |
| 903 | (3,041) | (2,138) | Non Domestic Rates | 496 | (2,122) | (1,626) |
| 37 | (6,399) | (6,362) | Council tax income | | (6,602) | (6,602) |
| **940** | **(15,589)** | **(14,649)** | **Taxation & Non-specific Grant Income** | **496** | **(13,137)** | **(12,641)** |

## 12) Property Plant & Equipment

| | Other Land and Buildings £'000 | Vehicles, Plant&Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Assets under construction £'000 | Total Property, Plant & Equipment £'000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| **At 31st March 2014** | **30,216** | **2,445** | **412** | **2,031** | **2,941** | **38,045** |
| Additions | 147 | 121 | 0 | 96 | 19 | 383 |
| Revaluation Increases/ (Decreases) recognised in Revaluation reserve | 792 | 0 | 0 | 0 | 0 | 792 |
| Revaluation Increases/ (Decreases) recognised in the Surplus on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications to / from held for sale / Under Construction | 357 | 0 | 0 | 0 | (469) | (112) |
| **At 31st March 2015** | **31,512** | **2,566** | **412** | **2,127** | **2,491** | **39,108** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| **At 31st March 2014** | **(914)** | **(923)** | **(34)** | **(396)** | **(2,491)** | **(4,758)** |
| Depreciation | (933) | (299) | (7) | (17) | 0 | (1,256) |
| Depreciation written out to Revaluation reserve | 1,021 | 0 | 0 | 0 | 0 | 1,021 |
| Impairment Losses / (Reversals) recognised in the Surplus / Deficit on the Provision of Services | (80) | 0 | 0 | (2) | 0 | (82) |
| Reclassifications to / from held for sale / Under Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation requiring impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| **At 31st March 2015** | **(906)** | **(1,222)** | **(41)** | **(415)** | **(2,491)** | **(5,075)** |
| **Net Book Value** | | | | | | |
| **At 31st March 2015** | **30,606** | **1,344** | **371** | **1,712** | **0** | **34,033** |
| **At 31st March 2014** | **29,302** | **1,522** | **378** | **1,635** | **450** | **33,287** |

Comparative movements in 2013/14

| | Other Land and Buildings £'000 | Vehicles, Plant&Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Assets under construction £'000 | Total Property, Plant & Equipment £'000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| **At 31st March 2013** | **23,864** | **1,939** | **407** | **2,031** | **1,776** | **30,017** |
| Additions | 74 | 506 | 5 | 0 | 5,503 | 6,088 |
| Revaluation Increases/ (Decreases) recognised in Revaluation reserve | 2,210 | 0 | 0 | 0 | 0 | 2,210 |
| Revaluation Increases/ (Decreases) recognised in the Surplus on the Provision of Services | (90) | 0 | 0 | 0 | 0 | (90) |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications to / from held for sale / Under Construction | 4,158 | 0 | 0 | 0 | (4,338) | (180) |
| **At 31st March 2014** | **30,216** | **2,445** | **412** | **2,031** | **2,941** | **38,045** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| **At 31st March 2013** | **(1,770)** | **(719)** | **(27)** | **(379)** | **(933)** | **(3,828)** |
| Depreciation | (643) | (204) | (7) | (17) | 0 | (871) |
| Depreciation written out to Revaluation reserve | 1,558 | 0 | 0 | 0 | 0 | 1,558 |
| Impairment Losses / (Reversals) recognised in the Surplus / Deficit on the Provision of Services | (59) | 0 | 0 | 0 | (1,558) | (1,617) |
| Reclassifications to / from held for sale / Under Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation requiring impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| **At 31st March 2014** | **(914)** | **(923)** | **(34)** | **(396)** | **(2,491)** | **(4,758)** |
| **Net Book Value** | | | | | | |
| **At 31st March 2014** | **29,302** | **1,522** | **378** | **1,635** | **450** | **33,287** |
| **At 31st March 2013** | **22,094** | **1,220** | **380** | **1,652** | **843** | **26,189** |

**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 – minimum 10 years, maximum 50 years;
- Vehicles plant and equipment – minimum 5 years, maximum 10 years;
- Infrastructure assets – Buildings 25 years.

Certain assets have not been depreciated for the following reasons:

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

**b) Capital Commitments**

There were significant capital commitments to the value of £194,000 at 31 March 2015 (£323,818 at 31 March 2014).

| Scheme | Contracted Work | £'000 |
|---|---|---|
| Orchard Road Car Park | Redevelopment work | 120 |
| St Peter's, Leire Churchyard Wall | Rebuild churchyard wall | 25 |
| St Wilfrids, The Kibworths War Memorial | Dismantle & rebuild war memorial | 19 |
| S106 Grant Panel Award | RFM Studios rehearsal room | 30 |
| | | 194 |

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

The Council's policy with regard to the valuation of tangible fixed assets is that assets held in the balance sheet at fair value are formally revalued every five years, although any material changes to valuations are adjusted in the interim period. Where not explicitly stated otherwise, property revaluations have been completed by Mr K.Shirer BS(Hons) MRICS a qualified valuer of the Valuation Office Agency, Nottingham. A desktop valuation exercise was carried out to identify any material changes to valuations as at 31 March 2015.

The significant assumptions applied in estimating fair values are:

- that good title can be shown and all valid planning permissions and statutory approvals are in place
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted

- that an inspection of those parts not inspected would not reveal defects that would affect valuation
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation

Land and Buildings / Asset Held For Sale – valued in accordance with International Financial Reporting Standards as applied to the United Kingdom public sector interpreted by the current CIPFA Code of Practice for Local Authority Accounting.
The valuations are made in accordance with the RICS Valuation - Professional Standards 2014 UK edition, in so far as they are consistent with the IFRS standards and CIPFA interpretation, (RICS UKVS 1.12).

Any departure from these standards are listed below:

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

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

| | **Other Land and Buildings** | **VPE, Infrastructure, Community, & AUC** | **Assets Held For Sale** | **Total** |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Valued at Historic Cost: | 0 | 3,427 | 0 | 3,427 |
| Valued at Fair Value:<br>31 March 2015 | 30,606 | 0 | 40 | 30,646 |

## 13) Leases

### a) The Council as Lessee

#### i) Finance Leases

The Council as Lessee did not hold any finance leases in 2014/15.

#### ii) Operating Leases

The Council held the following operating leases in 2014/15:

Control Centre Operation
The Council has a lease agreement for floor space at Clover Court, Market Harborough for the Control Centre operation. The Council has been given notice

to vacate Clover Court by 2 September 2015. On 22 June 2015 The Council approved alterative premises, negotiations are currently taking place.

Waste Contract
The Council has a 7 year contract which commenced 1 April 2009 with Focsa Services UK Ltd for waste collection, recycling, street cleaning and grounds maintenance. The minimum lease payments include only payments for the lease of recycling vehicles and other plant and exclude payments for other elements in the arrangement (e.g. cost for services). In October 2014 The Council agreed an extension to the contract to 2023 with an option to break the extension in April 2016.

Storage
The Council has a short term lease arrangement for storage units.

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

| **Minimum Lease Payments Due in future years are:** | **31 March 2014 £'000** | **31 March 2015 £'000** |
|---|---|---|
| Not later than one year | 587 | 587 |
| Later than one year and not later than five years | 1,171 | 586 |
| Later than five years | 0 | 0 |
| | **1,758** | **1,173** |

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:

| | **2013/14 £'000** | **2014/15 £'000** |
|---|---|---|
| Minimum lease payments | 685 | 588 |
| Contingent rents | 0 | 0 |
| Sublease payments receivable | 0 | 0 |
| | **685** | **588** |

## b) The Council as Lessor

### i) Finance Leases

The Council as lessor did not hold any finance leases in 2014/15.

### ii) Operating Leases

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

- for the provision of community services, such as the library and sports facilities.

- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

| Minimum Lease Payments Due in future years are: | 31 March 2014 £'000 | 31 March 2015 £'000 |
|---|---|---|
| Not later than one year | 3 | 63 |
| Later than one year and not later than five years | 11 | 192 |
| Later than five years | 10 | 10 |
| | **24** | **265** |

## 14) Investment Properties

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.

## 15) Assets held for Sale

| | Non-current | |
|---|---|---|
| | 2013/14 £'000 | 2014/15 £'000 |
| **Balance at start of year** | **0** | **134** |
| Assets newly classified as held for sale: | | |
| - Property, Plant & Equipment | 180 | 112 |
| Impairment Losses | (92) | (60) |
| Assets Sold | 0 | (146) |
| Other Movements: | | |
| - Disposal Costs | 46 | 0 |
| **Balance at end of year** | **134** | **40** |

## 16) Intangible Assets

| | Purchased Software Licences | Internally Generated | Total |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Original Cost | 1,068 | 0 | 1,068 |
| Amortisations to 1st April 2014 | (738) | 0 | (738) |
| Carrying Value at 1st April 2014 | 330 | 0 | 330 |
| Expenditure in Year | 72 | 0 | 72 |
| Revaluations in Year | 0 | 0 | 0 |
| Impairment in Year | 0 | 0 | 0 |
| Amortisation to Revenue for year | (107) | 0 | (107) |
| **Balance at 31st March 2015** | **295** | **0** | **295** |

During the financial year the Council purchased software licences as part of the ongoing transformation programme and redevelopment of the offices at The Symington Building. This included website portal access & bar coding 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.

## 17) Financial Instruments Balances

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

| | Long-Term | | Current | |
|---|---|---|---|---|
| | 31/03/2014 £'000 | 31/03/2015 £'000 | 31/03/2014 £'000 | 31/03/2015 £'000 |
| **Financial Liabilities (principal amount)** | **(1,490)** | **(1,490)** | **0** | **0** |
| Financial Liabilities at Amortised Cost | (1,490) | (1,490) | (15) | (15) |
| Financial Liabilities at Fair Value through the Income & Expenditure Account | 0 | 0 | 0 | 0 |
| **Total Borrowings** | **(1,490)** | **(1,490)** | **(15)** | **(15)** |
| **Loans & Receivables (principal amount)** | **0** | **0** | **9,000** | **10,000** |
| Loans & Receivables | 0 | 0 | 9,000 | 10,000 |
| Available for Sale Financial Assets | 0 | 0 | 0 | 0 |
| Cash & Cash Equivalents | 0 | 0 | 530 | 7 |
| Financial Assets at Fair Value through the Income & Expenditure Account | 0 | 0 | 0 | 0 |
| **Total Investments** | **0** | **0** | **9,530** | **10,007** |

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

### a) Financial Instruments Gains & Losses

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

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

| 2013/14 | Financial Liabilities | Financial Assets | | Total |
|---|---|---|---|---|
| | Liabilities Measured at Amortised Cost £'000 | Loans and Receivables £'000 | Fair Value through the CIES £'000 | **£'000** |
| Interest Expense | (75) | 0 | 0 | (75) |
| Losses on Derecognition | 0 | 0 | 0 | 0 |
| Impairment Losses | 0 | 0 | 0 | 0 |
| **Interest Payable & Similar Charges** | **(75)** | **0** | **0** | **(75)** |
| Interest Income | 0 | 76 | 0 | 76 |
| Gains on Derecognition | 0 | 0 | | 0 |
| **Interest & Investment Income** | **0** | **76** | **0** | **76** |
| Gains on Revaluation | 0 | 0 | 0 | |
| Losses on Revaluation | 0 | 0 | 0 | |
| Impairment charged to Income & Expenditure Account | 0 | 0 | 0 | |
| **Surplus arising on revaluation of Financial Assets** | **0** | **0** | **0** | |
| **Net Gain/(Loss) for the Year** | **(75)** | **76** | **0** | |

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

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | 31/03/2014 | | 31/03/2015 | |
|---|---|---|---|---|
| | **Carrying Amount £'000** | **Fair Value £'000** | **Carrying Amount £'000** | **Fair Value £'000** |
| PWLB Debt | 1,505 | 2,050 | 1,505 | 2,664 |
| Non-PWLB Debt | 0 | 0 | 0 | 0 |
| Total Debt | **1,505** | **2,050** | **1,505** | **2,664** |
| Creditors | 3,480 | 3,480 | 6,087 | 6,087 |
| **Total Financial Liabilities** | **4,985** | **5,530** | **7,592** | **8,751** |
| The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. | | | | |
| | | | | |
| Money Market Loans less than 1 Year | 9,500 | 9,529 | 10,000 | 10,005 |
| Money Market Loans greater than 1 Year | 0 | 0 | 0 | 0 |
| Trade Debtors | 812 | 812 | 1,200 | 1,200 |
| Short Term Loans | 20 | 20 | 5 | 5 |
| Long Term Debtors | 13 | 13 | 7 | 7 |
| **Total Loans and Receivables** | **10,345** | **10,374** | **11,212** | **11,217** |

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2015. This increases the fair value of financial liabilities and raises the value of loans and receivables.
The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

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

## 18) Heritage Assets

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

In 2014/15 the Council commissioned a sculpture to commemorate the refurbishment of The Symington Building. The resulting wall art of stylised bodices "The Swedish Maidens" represents the buildings historical use as a corset factory.
It is considered that this art has measurable value and is therefore recorded on the balance sheet at "build cost".

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at start of year** | 0 | 0 |
| Additions | 0 | 15 |
| **Balance at end of year** | **0** | **15** |

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

## 19) Inventories

| **Consumable Stores** | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at start of year** | 106 | 75 |
| Purchases | 14 | 60 |
| Recognised as an expense in the year | (45) | (65) |
| Written Off | 0 | (0) |
| **Balance at end of year** | **75** | **70** |

## 20) Debtors

### Short Term

| 2013/14 | | | | 2014/15 | | |
|---|---|---|---|---|---|---|
| Debt £'000 | Impairments £'000 | Net £'000 | | Debt £'000 | Impairments £'000 | Net £'000 |
| 526 | 0 | 526 | Government Departments | 1,405 | 0 | 1,405 |
| 681 | 0 | 681 | Other Local Authorities | 1,508 | 0 | 1,508 |
| 0 | 0 | 0 | NHS Bodies | 0 | 0 | 0 |
| 0 | 0 | 0 | Public Corporations | 0 | 0 | 0 |
| 2,014 | (1,020) | 994 | Other entities and individuals | 2,203 | (992) | 1,211 |
| **3,221** | **(1,020)** | **2,201** | **Total** | **5,116** | **(992)** | **4,124** |

### Long Term

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Car Loans to Employees | 4 | 0 |
| Leisure Trust Debtor | 9 | 7 |
| | **13** | **7** |

## 21) Cash and Cash Equivalents

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Cash held by the Authority | 1 | 1 |
| Bank Current Accounts | (799) | 2,167 |
| Short term deposits with Building Societies | 530 | 7 |
| **Total** | **(268)** | **2,175** |

## 22) Creditors

| | Restated 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Government Departments | (1,662) | (2,970) |
| Other Local Authorities | (1,666) | (2,295) |
| NHS Bodies | 0 | (128) |
| Public Corporations | (78) | (116) |
| Other entities and individuals | (1,935) | (2,516) |
| **Total** | **(5,341)** | **(8,025)** |

## 23) Provisions

| | Restated 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at 1 April** | 0 | (213) |
| Additional provisions made | (213) | (1,327) |
| Amounts used | 0 | 0 |
| **Balance at 31 March** | **(213)** | **(1,540)** |

## 24) Unusable reserves

| | Note | 31 March 2014 £'000 | 31 March 2015 £'000 |
|---|---|---|---|
| Financial Instruments Adjustment Account | **25** | 1 | 0 |
| Revaluation Reserve | **26** | (5,396) | (6,936) |
| Capital Adjustment Account | **27** | (22,558) | (20,874) |
| Collection Fund Adjustment Account | **28** | (336) | 674 |
| Pensions Reserve | **29** | 27,058 | 32,852 |
| Accumulated Absences Account | **30** | 56 | 65 |
| **Total Unusable Reserves** | | **(1,175)** | **5,781** |

## 25) Financial Instruments Adjustment Account

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at 1 April** | **8** | **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 | (7) | (1) |
| **Balance at 31 March** | **1** | **0** |

## 26) Revaluation reserve

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance as at 1st April** | **(1,825)** | **(5,396)** |
| Upward revaluation of assets | (4,040) | (1,827) |
| Downward revaluation of assets & impairment losses not charged to the surplus / deficit on the provision of services | 366 | 14 |
| Difference between fair value depreciation & historical cost depreciation | 103 | 273 |
| **Balance as at 31st March** | **(5,396)** | **(6,936)** |

## 27) Capital Adjustment Account

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance as at 1st April** | **(20,817)** | **(22,558)** |
| **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:** | | |
| General Fund Charges for depreciation & impairment of non current assets | 2,578 | 1,400 |
| Amortisation of Intangible asset reversal | 103 | 107 |
| Revenue Expenditure funded from Capital Statute | 784 | 1,006 |
| | **3,465** | **2,513** |
| Adjusting amounts written out of the Revaluation Reserve | **(103)** | **(273)** |
| Disposal of assets Gains / (Losses) | **0** | **646** |
| **Capital financing applied in the year:** | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (62) | 0 |
| Capital expenditure charged against the General Fund balances | (1,793) | (10) |
| Capital grants & contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing | (2,828) | (684) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 0 | (29) |
| Statutory provision for the financing of capital investment charged against the General Fund balances | (420) | (479) |
| | **(5,103)** | **(1,202)** |
| **Balance as at 31st March** | **(22,558)** | **(20,874)** |

## 28) Collection Fund Adjustment Account

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at 1 April** | **(26)** | **(336)** |
| 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 | (9) | (109) |
| - NDR | (301) | 1,119 |
| **Balance at 31 March** | **(336)** | **674** |

## 29) Pension Reserve

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance as at 1 April** | 21,179 | 27,058 |
| Actuarial (gains) or losses on pensions assets and liabilities | 5,077 | 4,690 |
| Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the Comprehensive Income and Expenditure Statement | 2,027 | 2,218 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (1,092) | (1,114) |
| Reversal of accrual for Pension termination costs | (133) | 0 |
| **Balance as at 31 March** | **27,058** | **32,852** |

## 30) Accumulated Absence Account

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at 1 April** | 59 | 56 |
| 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 Absense Liability | (3) | 9 |
| **Balance at 31 March** | **56** | **65** |

## 31) Cash Flow Statement – Operating Activities

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Interest received | 69 | 65 |
| Interest paid | (75) | (75) |
| | **(6)** | **(10)** |

## 32) Cash Flow Statement – Investing Activities

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Purchase of property, plant and equipment, investment property and intangible assets | (5,876) | (722) |
| Purchase of short-term and long-term investments | (1,000) | (1,000) |
| Other payments for investing activities | 0 | 0 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 506 | 791 |
| Proceeds from short-term and long-term investments | 0 | 0 |
| Other receipts from investing activities | 562 | 9 |
| **Net cash flows from investing activities** | **(5,808)** | **(922)** |

## 33) Cash Flow Statement – Financing Activities

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Cash receipts of short and long-term borrowing | 0 | 0 |
| Other receipts from financing activities | 1,249 | 1,308 |
| Repayments of short and long-term borrowing | 0 | 0 |
| Other payments for financing activities | 0 | 0 |
| **Net cash flows from financing activities** | **1,249** | **1,308** |

## 34) Discontinued Operations

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

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

| | 2013/14 £000 | 2014/15 £000 |
|---|---|---|
| **Income from Stallholders:** | | |
| - rents and charges | (203) | (324) |
| **Expenditure** | 429 | 497 |
| **(Surplus) / Deficit** | **226** | **173** |

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

## 36) Members Allowances

Members of the Council received payments amounting to £299,000 during the financial year, compared with £295,000 in 2013/14.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Salaries | 0 | 0 |
| Allowances | 275 | 281 |
| Expenses | 20 | 18 |
| | **295** | **299** |

## 37) Remuneration of Senior Officers

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

| Remuneration Band | 2013/14 No. | 2014/15 No. |
|---|---|---|
| £50,000 to £54,999 | 4 | 5 |
| £55,000 to £59,999 | 1 | 1 |
| £60,000 to £64,999 | 0 | 0 |
| £65,000 to £69,999 | 0 | 0 |
| £70,000 to £74,999 | 2 | 0 |
| £75,000 to £79,999 | 0 | 0 |
| £80,000 to £85,999 | 0 | 0 |
| £85,000 to £89,999 | 0 | 2 |
| £90,000 to £94,999 | 0 | 0 |
| £95,000 to £99,999 | 0 | 0 |
| £100,000 to £104,999 | 1 | 0 |

The remuneration of Senior Officers whose salary was more than £50,000 in 2014/15 is as follows:

| Post Holder | | Salary, Fees and Allowances £ | Expense Allowances £ | Pension Contributions £ | Total £ | Note £ |
|---|---|---|---|---|---|---|
| Chief Executive (Left 21/04/2014) | 2014/15 | 5,122 | 379 | 1,315 | 6,816 | A |
| | 2013/14 | 100,449 | 2,314 | 20,090 | 122,853 | |
| Corporate Director - Resources | 2014/15 | 86,269 | 1,810 | 18,979 | 107,058 | A |
| | 2013/14 | 69,635 | 2,173 | 13,927 | 85,735 | |
| Corporate Director - Community Services | 2014/15 | 86,269 | 963 | 18,979 | 106,211 | A |
| | 2013/14 | 69,635 | 963 | 13,927 | 84,525 | |
| Shared Head of Legal and Democratic Services | 2014/15 | 55,866 | 1,195 | 12,291 | 69,352 | B |
| | 2013/14 | 55,461 | 1,098 | 11,092 | 67,651 | |
| Head of Community, Wellbeing and Partnerships | 2014/15 | 44,693 | 1,284 | 9,832 | 55,809 | C |
| | 2013/14 | 47,142 | 1,509 | 9,428 | 58,079 | |
| Head of Financial Services and Section 151 Officer (Started 28/05/2013) | 2014/15 | 53,701 | 1,193 | 11,814 | 66,708 | D |
| | 2013/14 | 44,253 | 4,715 | 8,851 | 57,819 | |
| Total | 2014/15 | 331,920 | 6,824 | 73,210 | 411,954 | |
| Total | 2013/14 | 386,575 | 12,772 | 77,315 | 476,662 | |

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

Notes

A Following the departure of the Chief Executive, The Council decided to use the two director model with rotation of the Head of Paid Service duties on a six monthly basis.

B For the shared Head of Legal and Democratic Services post reimbursement is received from the partner Council (Melton Borough Council).

C The Head of Policy, Performance & Partnerships was shared with Blaby District Council until June 2013, the post then became part time, working 4 days per week, the whole time equivalent salary being £55,866.

D The Section 151 Officer for 2013/14 was a shared post provided by Blaby District Council until May 2013 and does not require disclosure. From May 2013 onwards the post was no longer shared and the disclosure is shown in the table above.

## 38) External Audit Cost

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Fees payable with regard to external audit services carried out by the appointed auditor (section 5 of the Audit Commission Act 1998) | 56 | 55 |
| Fees payable for the certification of grant claims and returns by the appointed auditor (section 28 of the Audit Commission Act 1998) | 18 | 16 |
| Fees payable in respect of any other services provided by the appointed auditor | 0 | 0 |
| | **74** | **71** |

The appointed auditor during 2014/15 was KPMG LLP.

## 39) Grant Income and Other Contributions

**a)** In 2014/15, Harborough District Council received the following grants and contributions.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **General** | | |
| NNDR Baseline | (1,547) | (1,577) |
| NNDR Income | (1,494) | (1,665) |
| Revenue Support Grant | (2,325) | (1,850) |
| New Homes Bonus | (1,103) | (1,639) |
| Council Tax Freeze Grant | (56) | (56) |
| Challenge New Burdens Grants | (16) | (16) |
| Business Rates New Burdens Grants | 0 | (11) |
| **Specific** | | |
| Rent Allowance Subsidy | (11,800) | (11,580) |
| Housing Benefit Admin Grant | (301) | (265) |
| NNDR Cost of Collection | (123) | (124) |
| Small Business Rate Relief Section 31 Grant | (312) | (473) |
| Other DCLG | (78) | (89) |
| DWP | (85) | (78) |
| Leicestershire County Council | (385) | (395) |
| Other Specific grants | (98) | (430) |
| **Revenue through CIES** | | |
| Disabled Facilities | (153) | (3) |
| Other REFCUS | (409) | (674) |
| **Capital through CIES** | | |
| Other Capital Grant and contributions | (2,266) | (352) |
| | (22,551) | (21,277) |

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

| **Capital Grants Receipts in Advance** | 31/03/2014 £'000 | 31/03/2015 £'000 |
|---|---|---|
| S.106 Developer Contributions | (1,428) | (1,414) |
| Other Capital Grant | (143) | (231) |
| Other Capital Contribution | 0 | 0 |
| | (1,571) | (1,645) |

## 40) Related Party Transactions

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

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

**b)** ***Other public bodies*** –

| | Exp £'000 | Income £'000 | 2014/15 £'000 |
|---|---|---|---|
| Leicestershire County Council On Street Parking Enforcement | 0 | (284) | (284) |
| Melton Borough Council Off Street Parking Enforcement | 0 | (53) | (53) |
| Blaby District Council Off Street Parking Enforcement | 0 | (47) | (47) |
| Oadby & Wigston Borough Council Off Street Parking Enforcement | 0 | (40) | (40) |
| Hinckley & Bosworth Borough Council Off Street Parking Enforcement | 0 | (71) | (71) |
| Rutland County Council - Welland Internal Audit Consortium | 64 | 0 | 64 |
| Rutland County Council - Emergency Planning | 24 | 0 | 24 |
| Leicester City Council - Provision of Payroll Services | 14 | 0 | 14 |
| Hinckley & Bosworth BC - Revs & Bens Partnership | 1,047 | (744) | 303 |
| Melton BC - Shared Legal Service | 0 | (135) | (135) |
| Charnwood BC - Contact Centre Services | 306 | 0 | 306 |
| **Related Party Income & Expenditure** | **1,455** | **(1,374)** | **81** |

**c)** ***Members of the Council*** have direct control over the Council's financial and operating policies. During 2014/15 there were no significant payments to or receipts from parties in which Members had an interest. All contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests which is open to public inspection. The Council's elected members act as trustees to the H.W. Symington Memorial Charity. No remuneration is received by members in respect of their roles as trustees although travel and subsistence costs may be reclaimed as necessary. See note 36 for Member Allowance details.

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

## 41) Capital Expenditure and Sources of Finance

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Opening Capital Financing Requirement | 4,014 | 5,962 |
| Capital Expenditure: | | |
| Operational Assets | 6,205 | 470 |
| Revenue Expenditure Funded from Capital Under Statute | 784 | 1,006 |
| Sources of Finance: | | |
| Capital Receipts | 0 | 0 |
| Government Grants & Other Contributions | (2,827) | (713) |
| Sums set aside from Revenue (including MRP) | (2,214) | (489) |
| Closing Capital Financing Requirement | 5,962 | 6,236 |
| Movement in Year | 1,948 | 274 |
| Explanation of Movements in Year: | | |
| 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) | 1,948 | 274 |
| Increase/(Decrease) in Capital Financing Requirement | 1,948 | 274 |

## 42) Termination Benefits

The Authority announced the termination of a number of contracts, which took place during 2014/15 or will take place in 2015/16. Termination benefits of £80k have been accrued covering 8 members of staff.

In 2013/14 the Authority terminated a single contract. Due to this being a single contract and the value being less than £10,000, and therefore not material, no further disclosure has been made.

| Termination Benefits Band | 2014/15 No. |
|---|---|
| £0 to £20,000 | 8 |

## 43) Local Government Pension Scheme

**a)** Participation in the Pension Scheme

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

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit pension scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets. In addition the Council has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme, the estimated outstanding liability for which was £1.133m at 31 March 2015 (£1.175m at 31 March 2014).

**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) | |
|---|---|---|---|---|
| | **2013/14** | **2014/15** | **2013/14** | **2014/15** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Service Cost** | | | | |
| Current Service Cost | 1,074 | 1,046 | | |
| Past Service Cost (including curtailments) | 7 | 10 | 0 | 0 |
| **Total Service Cost** | **1,081** | **1,056** | **0** | **0** |
| **Financing & Investment** | | | | |
| Interest income on scheme assets | (1,426) | (1,431) | | |
| Interest cost on defined benefit obligation | 2,321 | 2,543 | 51 | 50 |
| **Total net interest** | **895** | **1,112** | **51** | **50** |
| **Total Post Employment Benefits charged to the surplus or deficit on the provision of services** | **1,976** | **2,168** | **51** | **50** |
| **Remeasurements if the Net Defined Liability comprising:** | | | | |
| Return on plan assets excluding amounts included in net interest | **(672)** | **(3,874)** | | |
| Actuarial losses arising from changes in demographic assumptions | **1,088** | **0** | | |
| Actuarial losses arising from changes in financial assumptions | **1,372** | **9,249** | | |
| Other | **3,289** | **(685)** | | |
| **Total remeasurements recognised in other comprehensive income** | **5,077** | **4,690** | **0** | **0** |
| **Total Post Employment benefits charged to the Comprehensive Income & Expenditure Statement.** | **7,053** | **6,858** | **51** | **50** |
| **Movement in Reserves Statement:** | | | | |
| Reversal of net charges made to the surplus on provision of services | (1,976) | (2,168) | (51) | (50) |
| Employers' contributions payable to the scheme | 1,016 | 1,043 | | |
| Retirement benefits payable to pensioners | | | 76 | 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 2015 a loss of £29.461m and at 31 March 2014 was a loss of £24.771m.

The Actuary has projected the total Pension Expense for the year to 31 March 2016 at £1.132m.

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

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

| | 31 March 2014 £'000 | 31 March 2015 £'000 |
|---|---|---|
| Fair value of employer assets | 33,571 | 38,353 |
| Present value of funded liabilities | (59,454) | (70,072) |
| Present value of unfunded liabilities | (1,175) | (1,133) |
| **Net Pensions Liability** | **(27,058)** | **(32,852)** |

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability of £32.852m 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) | |
|---|---|---|---|---|
| | **2013/14 £'000** | **2014/15 £'000** | **2013/14 £'000** | **2014/15 £'000** |
| **Opening fair value of scheme liabilities at 1 April** | **51,851** | **59,454** | **1,135** | **1,175** |
| Current Service Cost | 1,074 | 1,046 | | |
| Interest Cost | 2,321 | 2,564 | 51 | 50 |
| Contributions by Members | 306 | 315 | | |
| **Remeasurement gain** | | | | |
| Actuarial losses arising from changes in demographic assumptions | 1,088 | 0 | | |
| Actuarial losses arising from changes in financial assumptions | 1,307 | 9,249 | 65 | (21) |
| Other | 3,289 | (685) | | |
| Losses / (Gains) on Curtailments | 7 | 10 | | |
| Past Service Costs | | | | |
| Estimated Unfunded benefits Paid | | | (76) | (71) |
| Estimated Benefits Paid | (1,789) | (1,881) | | |
| **Closing Balance at 31 March** | **59,454** | **70,072** | **1,175** | **1,133** |

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

| | **2013/14 £'000** | **2014/15 £'000** |
|---|---|---|
| **Opening fair value of scheme assets at 1 April** | **31,940** | **33,571** |
| Interest income on plan assets | 1,426 | 1,431 |
| Contributions from employees into the scheme | 306 | 315 |
| Contributions by the Employer | 1,016 | 1,043 |
| **Remeasurement gain:** | | |
| Return on assets excluding amounts included in net interest | 672 | 3,874 |
| Benefits Paid | (1,789) | (1,881) |
| **Closing fair value of scheme assets at 31 March** | **33,571** | **38,353** |

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:

| | Period ended 31 March 2014 | | | | Period ended 31 March 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| **Asset category** | **Quoted prices in active markets £'000** | **Quoted prices not in active markets £'000** | **Total £'000** | **Percentage of Total Assets %** | **Quoted prices in active markets £'000** | **Quoted prices not in active markets £'000** | **Total £'000** | **Percentage of Total Assets %** |
| **Equity Securities:** | | | | | | | | |
| Other | 1,233.4 | - | 1,233.4 | 4% | 1,190.1 | - | 1,190.1 | 3% |
| **Debt Securities:** | | | | | | | | |
| UK Government | 415.4 | - | 415.4 | 1% | 2,104.1 | - | 2,104.1 | 6% |
| Other | 2,400.1 | | 2,400.1 | 7% | 1,577.1 | | 1,577.1 | 4% |
| **Private Equity:** | | | | | | | | |
| All | - | 1,317.4 | 1,317.4 | 4% | - | 1,455.2 | 1,455.2 | 4% |
| **Real Estate:** | | | | | | | | |
| UK Property | - | 3,138.4 | 3,138.4 | 9% | - | 3,634.5 | 3,634.5 | 10% |
| **Investment Funds and Unit Trusts:** | | | | | | | | |
| Equities | 16,926.0 | - | 16,926.0 | 50% | 19,337.6 | - | 19,337.6 | 50% |
| Bonds | 1,147.3 | 1,061.8 | 2,209.1 | 7% | 1,172.4 | 2,400.1 | 3,572.5 | 9% |
| Hedge Funds | 1,106.8 | 40.1 | 1,146.9 | 4% | 1,630.5 | 33.8 | 1,664.3 | 4% |
| Commodities | 902.0 | 618.5 | 1,520.5 | 5% | 874.0 | 737.1 | 1,611.1 | 4% |
| Infrastucture | - | 761.7 | 761.7 | 2% | - | 904.1 | 904.1 | 2% |
| Other | 1,740.5 | - | 1,740.5 | 5% | 703.6 | - | 703.6 | 2% |
| **Derivatives** | | | | | | | | |
| Interest Rate | - | - | - | 0% | 214.4 | - | 214.4 | 1% |
| **Cash and Cash Equivalents:** | | | | | | | | |
| All | 761.8 | - | 761.8 | 2% | 384.4 | - | 384.4 | 1% |
| | **26,633** | **6,938** | **33,571** | **100%** | **29,188** | **9,165** | **38,353** | **100%** |

## d) Basis for Estimating Assets & Liabilities

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

The main assumptions used in their calculations are:

| | Local Government Pension Scheme | | Discretionary Benefits (Unfunded) | |
|---|---|---|---|---|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| **Mortality assumptions** | | | | |
| Longevity at 65 for current pensioners | | | | |
| Men | 22.2 | 22.2 | 22.2 | 22.2 |
| Women | 24.3 | 24.3 | 24.3 | 24.3 |
| Longevity at 65 for future pensioners | | | | |
| Men | 24.2 | 24.2 | | |
| Women | 26.6 | 26.6 | | |
| **Economic assumptions** | | | | |
| Rate of inflation | 2.80% | 2.40% | 2.80% | 2.40% |
| Rate of increase in salaries | 4.60% | 4.30% | | |
| Rate of increase in pensions | 2.80% | 2.40% | 2.80% | 2.40% |
| Rate for discounting scheme liabilities | 4.30% | 3.20% | 4.30% | 3.20% |
| 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 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised above:

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

| Change in assumptions at 31 March 2015: | Approximate % increase to Employer Liability | Approximate monetary amount (£000) |
|---|---|---|
| 0.5% decrease in Real Discount rate | 10% | 7,355 |
| 1 year increase in member life expectancy | 3% | 2,136 |
| 0.5% increase in the Salary Increase Rate | 3% | 2,308 |
| 0.5% increase in the Pension Increase Rate | 7% | 4,886 |

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

## 44) Contingent Liabilities

There are the following contingent liabilities:

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

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

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

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

A levy notice was issued based on 15% of the value of total claims carried forward exceeding £50,000 to 31 December 2013. This was a total of £2,461 which was paid in 2013/14. The Council received a statement as at 31 March 2015 which confirmed no increase to the levy already paid.

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

### b) Repayment of ERDF Grant

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

### c) Termination Benefits

There could also be contingent liabilities in respect of termination benefits (see note 42).

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

### a) Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

**b) Overall Procedures for Managing Risk**

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

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

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

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

**c) Credit risk**

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at 31 March 2015 that this was likely to crystallise.

Trade Debtors include amounts owing from Local Authorities of £478k relating to contractual arrangements. The Council allows 14 days credit for its customers, such that the amount of £1,022k (2013/14 £664k) is past its due date for payment. The past due amount can be analysed by age as follows:

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Less than one year | 211 | 681 |
| Between one and two years | 9 | 3 |
| Between two and three years | 7 | 8 |
| More than three years | 437 | 330 |
| | **664** | **1,022** |

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

**d) Liquidity risk**

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

**e) Refinancing and Maturity Risk**

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

The maturity analysis of financial liabilities is as follows:

| | 2013/14 £'000s | 2014/15 £'000s |
|---|---|---|
| Less than one year | 0 | 0 |
| Between one and two years | 0 | 0 |
| Between two and seven years | 0 | 0 |
| Between seven and 15 years | 22 | 22 |
| More than fifteen years | 1,468 | 1,468 |
| | 1,490 | 1,490 |

The maturity analysis of financial assets is as follows:

| | 2013/14 £'000s | 2014/15 £'000s |
|---|---|---|
| Less than one year | 9,530 | 10,007 |
| Between one and two years | 0 | 0 |
| Between two and three years | 0 | 0 |
| More than three years | 0 | 0 |
| | 9,530 | 10,007 |

All trade and other payables are due to be paid in less than one year and trade debtors of £1.2m (2013/14 £0.812m) are not shown in the table above.

**f) Market risk**

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

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

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

| | £000s |
|---|---|
| Increase in interest payable on variable rate borrowings | 0 |
| Increase in interest receivable on variable rate investments | (132) |
| Impact on Income and Expenditure Account | (132) |

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

ii) **Price risk** - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

iii) **Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 46) Trust Funds

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

The Council also administers several smaller trust funds, mainly in the form of investments, which total £2,134. During the year The Government decided to repay holdings of 3 ½% War Stock. This has resulted in the mix of investments changing mainly to cash instead of stock holdings.

Howard Watson Symington Memorial Charity Fund

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

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

Harborough District Council is the sole corporate trustee of the Charity. The Council set up the Howard Watson Symington Memorial Charity Area Committee

which was delegated responsibility for the administration of the Charity and the application of the income in accordance with the charity scheme, and, as such, allocate funding to projects and/ or individuals that meet the criteria set out in the objects of the Charity.

The Council no longer administers the Charity's funds as the local authority. The Charity's funds were administered by the Area Committee through its own bank account. On 1 December 2014 The Executive of the Council removed the Administration from the Area Committee and is undertaking the administration itself. The Executive is looking to appoint alternative trustees during 2015/16.

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

## 47) Material Items of Income and Expense

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

| **Expenditure** | **2013/14** £'000s | **2014/15** £'000s |
|---|---|---|
| Housing Services - Rent Allowances | 12,855 | 12,059 |

## 48) Leicester and Leicestershire Business Rates Pool

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

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

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

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

Leicestershire County Council along with Leicester City Council, the LFRS and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2013/14, 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. Any remaining net income from the Pool was to be used to provide a £0.4m contingency for future safety nets and any further income above that level was to be passed to the Leicester and Leicestershire Economic Partnership (LLEP).

The surplus at the end of 2013/14 has been retained by the Pool.

Due to the volatility of appeals and policy changes, the members of the Pool decided to not submit an application for a Pool for 2014/15. Hence there are no transactions for 2014/15. This note is included for comparative purposes.

## 49) Date of Authorisation

The Statement of Accounts was authorised for issue by S Riley, Section 151 Officer on 30 June 2015 after due consideration of any post balance sheet events.

# COLLECTION FUND

| 2013/14 £'000 Total | | 2014/15 £'000 Council Tax | 2014/15 £'000 NNDR | 2014/15 £'000 Total | Note |
|---|---|---|---|---|---|
| | **Income** | | | | |
| (47,764) | Income from Council Taxpayers | (48,809) | | (48,809) | 2 |
| 0 | Transfer from General Fund: | | | 0 | |
| (36,553) | Income from Business Ratepayers | | (38,157) | (38,157) | 3 |
| **(84,317)** | **Total Income** | **(48,809)** | **(38,157)** | **(86,966)** | |
| | **Expenditure** | | | | |
| 47,144 | Precepts and Demands from County and District | 47,436 | | 47,436 | 4 |
| | Business Rates | | | | |
| 0 | - Payment to National Pool | | 11,691 | 11,691 | |
| 18,172 | - Payment to Government for Central Share | | 17,346 | 17,346 | |
| 0 | - Payment to Preceptors | | 3,453 | 3,453 | |
| 15,094 | - Payment to Local Pool | | 0 | 0 | |
| 3,042 | - Payment to Harborough District Council | | 2,073 | 2,073 | |
| 123 | - Costs of Collection | | 124 | 124 | |
| | Bad and Doubtful Debts/Appeals | | | | |
| (439) | - Provisions | 136 | 14 | 150 | |
| 233 | - Write offs | 182 | 138 | 320 | |
| 534 | - Provision for Appeals | | 3,318 | 3,318 | |
| 77 | Distribution of previous year's estimated Collection Fund surplus | 252 | | 252 | 5 |
| **83,980** | **Total Expenditure** | **48,006** | **38,157** | **86,163** | |
| **85** | **Collection Fund Balance at 1 April** | **(252)** | **0** | **(252)** | |
| **(337)** | **(Surplus)/Deficit for the year** | **(803)** | **0** | **(803)** | |
| **(252)** | **Collection Fund Balance at 31 March** | **(1,055)** | **0** | **(1,055)** | |

# 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 2014/15 was £1,523.32 (£1,498.14 in 2013/14). 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 2014/15 was £48.8m

The Council Tax Base used for setting the 2014/15 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 | 4,339 | (2,526.8) | 1,812.2 | 6/9 | 1,812.2 |
| B | 7,856 | (3,163.2) | 4,692.8 | 7/9 | 4,692.8 |
| C | 7,391 | (1,884.2) | 5,506.8 | 8/9 | 5,506.8 |
| D | 5,770 | (598.1) | 5,171.9 | 1 | 5,171.9 |
| E | 5,539 | 750.2 | 6,289.2 | 11/9 | 6,289.2 |
| F | 3,187 | 1,167.3 | 4,354.3 | 13/9 | 4,354.3 |
| G | 2,383 | 1,418.8 | 3,801.8 | 15/9 | 3,801.8 |
| H | 224 | 179.1 | 403.1 | 18/9 | 403.1 |
| Irrecoverable allowance | | | | | (480.4) |
| **Tax Base for the Calculation of Council Tax** | | | | | **31,551.7** |

* - 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 2014/15 were estimated before the start of the financial year as £18.499m to Central Government, £3.600m to the Preceptors and £14.799m to Harborough District Council. These sums have been paid in2014/15 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Harborough District Council pays a tariff to the value of £11.691m.

The total income from business rate payers collected in 2014/15 was £38.2m (£36.6m in 2013/14). This sum includes £79,734 of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government.

The rate multiplier set by the Government for 2014/15 was 48.2p or 47.1p for small businesses (in 2013/14 was 47.1p or 46.2p for small businesses).

The total rateable value as at 31 March 2015 was £88,607,054 the equivalent at 31 March 2014 being £86,902,162.

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Harborough District Council | 6,404 | 6,459 |
| Leicestershire County Council | 33,435 | 33,539 |
| Leicestershire Police and Crime Commissioner | 5,469 | 5,568 |
| Leicestershire, Leicester & Rutland Fire Authority | 1,836 | 1,870 |
| | **47,144** | **47,436** |

## 5. Collection Fund Surpluses – Council Tax

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Harborough District Council | 10 | 34 |
| Leicestershire County Council | 55 | 179 |
| Leicestershire Police and Crime Commissioner | 3 | 29 |
| Leicestershire, Leicester & Rutland Fire Authority | 9 | 10 |
| | **77** | **252** |

## 6. Collection Fund Balances

The balance carried forward on the Collection Fund at 31 March 2015 comprises a Council Tax surplus of £1,055,374 (£252,336 surplus at 31 March 2014). 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 2015 is £911,806 and this appears as a creditor on the balance sheet (£218,104 as at 31 March 2014). The Council's own share of the Council Tax surplus, £143,568 is shown in the net worth section of the balance sheet (£34,232 surplus at 31 March 2014).

Included in the Collection Fund is an amount of £3,318k (£534k 2013/14) related to a provision for appeals for NNDR. The council has accounted for our share of this provision, which amounts to £1,541k (£213k 2013/14). The remainder relates to preceptors shares.

## GLOSSARY OF TERMS

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

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

**ACTUARIAL GAINS AND LOSSES**
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

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

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

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

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

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

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

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

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

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

**CURRENT SERVICE COSTS (PENSIONS)**
The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

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

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

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

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

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

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

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

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

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

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

**EVENTS AFTER THE BALANCE SHEET DATE**
Those events, whether favourable or unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorized for issue.

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

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

**EXTRAORDINARY ITEMS**
Material items which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

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

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

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

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

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

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

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

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

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

**INVESTED RIGHTS**
In relation to a defined benefit scheme, these are:
- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

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

**INVESTMENTS (NON-PENSIONS FUND)**
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be

demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.
Investments other than those relating to the pensions fund, which do not meet the above criteria should be classified as current assets.

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

**INVESTMENT PROPERTIES**
Interest in land and/or buildings:-

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

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

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

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

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

**NON-DISTRIBUTED COSTS**
These are overheads for which no user now benefits, and should not be apportioned to services.

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

**OPERATING LEASES**
A lease other than a finance lease.

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

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

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

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

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

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

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

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

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

**RESEARCH AND DEVELOPMENT**
Expenditure falling into one or more of the following broad categories:

- Pure (or Basic) Research:- experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or applications;
- Applied research:- original or critical investigations undertaken in order to gain new scientific or technical knowledge directed towards a specific practical aim or objective;

- Development:- use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

**RETIREMENT BENEFITS**

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

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

**SCHEME LIABILITIES**

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

**SETTLEMENT**

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

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

**USEFUL LIFE**

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARBOROUGH DISTRICT COUNCIL

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