

Governance & Audit Committee - 22nd September 2016

Report No. 2 – Appendix B

Amended pages for Statement of Accounts

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

Collection Fund

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

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

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

Financial Performance of the Council 2015/16

Revenue Performance

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

Post Balance Sheet Events

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

Fair Value of Assets & Liabilities carried at Amortised Cost

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

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

The fair values calculated are as follows:

	31/03/2015		31/03/2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt (Level 2)	1,505	2,664	1,505	2,229
Non-PWLB Debt	0	0	0	0
Total Debt	1,505	2,664	1,505	2,229
Creditors (Level 3)	6,087	6,087	8,008	8,008
Total Financial Liabilities	7,592	8,751	9,513	10,237
<p>The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.</p>				
Money Market Loans less than 1 Year (Level 2)	10,000	10,005	16,689	16,702
Money Market Loans greater than 1 Year	0	0	0	0
Trade Debtors (Level 3)	1,200	1,200	971	971
Short Term Loans (Level 3)	5	5	1	1
Long Term Debtors (Level 3)	7	7	5	5
Total Loans and Receivables	11,212	11,217	17,766	17,679

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

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

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

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

49) Post Balance Sheet Events

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

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

50) Date of Authorisation

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