



**Melton  
Borough  
Council**



**STATEMENT OF ACCOUNTS  
2014-2015**

# CONTENTS

	Page Number
Explanatory Foreword	2
Statement of Responsibilities for the Statement of Accounts	6
Movement in Reserves Statement	7
Comprehensive Income and Expenditure Statement	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Financial Statements	12
Housing Revenue Account (HRA) Income and Expenditure Statement	67
Statement of Movement on the HRA Balance	67
Note to the Movement on the HRA statement	68
Notes to the HRA Financial Statements	68
Collection Fund Statement	74
Notes to Collection Fund Statement	75
Glossary of Financial Terms	76
Independent Auditors' Report	82

## **Printed and Published by**

Melton Borough Council  
Parkside  
Station Approach  
Burton Street  
Melton Mowbray  
Leicestershire  
LE13 1GH

Telephone: 01664 502502  
Fax: 01664 410283  
E-mail: [dscott@melton.gov.uk](mailto:dscott@melton.gov.uk)

19 June 2015

## EXPLANATORY FOREWORD

The purpose of this foreword is to assist the readers' understanding of the Financial Statements and to summarise the Council's financial position.

### FINANCIAL STATEMENTS

The Council's Core Financial Statements for the year ended 31 March 2015 are set out on pages 6 to 66. They consist of:

- **The Statement of Responsibilities for the Statement of Accounts** (page 6).
- **The Movement in Reserves Statement** (pages 7 & 8).
- **The Comprehensive Income and Expenditure Statement** (page 9) - summarises the resources that have been generated and consumed in providing services and managing the Council during the year.
- **The Balance Sheet** (page 10) - shows the Council's overall financial position in terms of its assets and liabilities.
- **The Cash Flow Statement** (page 11) - summarises the total movement of cash to and from the Council or, simply where the money came from and where it was spent.
- **Notes to the Core Financial Statements** (pages 12 - 66)

In addition to the core financial statements the following supplementary statements are set out on pages 67 - 75. They consist of:

- **The Housing Revenue Account** (pages 67 - 73) - details the major elements of housing revenue expenditure such as repairs & maintenance, administration, capital financing costs, and shows how these are met by rents, fees & charges and other income. The Housing Revenue Account is incorporated with the Comprehensive Income & Expenditure Statement but is also shown separately as required.
- **The Collection Fund Statement** (pages 74 - 75) - shows the transactions relating to the collection of Council Tax and Non-Domestic Rates. It shows how this money is then distributed between authorities delivering services to the people and businesses within the Borough.

This is followed by:

- **Glossary of Terms** (pages 76 - 81).
- **The Independent Auditors' Report** (page 82 - 84).

### FINANCIAL POSITION

The Council incurs revenue and capital expenditure during the year.

**Revenue Expenditure** – covers most day-to-day items, usually involving the provision of ongoing services.

**Capital Expenditure** – relates to spending of a more lasting nature such as the purchase of an asset which has a life beyond one year and is used in the provision of services.

Revenue spending is financed from Council Tax, fees and charges, Government grants and other income. Capital spending is financed mainly from useable capital receipts from the sale of Council assets, Government grants, contributions and reserves.

### Revenue Expenditure

The net costs of the main functions of the Council are included in the Comprehensive Income and Expenditure Statement. This comprises of general fund expenditure, both general and special expenses and the Housing Revenue Account.

## General Fund Services

General Expenses – the net revenue expenditure of the Council for 2014-15 prior to council tax and grant funding was originally estimated at £6.179m, which was subsequently updated to an estimated year end position of £5.750m. The actual net expenditure for the year was £5.767m, a saving over the original estimate of £0.412m. The surplus for the year therefore is £0.412m compared to an original nil surplus/deficit. This represents an increase in the reserves of £0.412m when compared to the original estimate.

Special Expenses – the net revenue expenditure for 2014-15 in respect of special expenses was originally estimated at £478k, which was subsequently updated to an estimated year end position of £483k. The actual net expenditure for the year was £493k, which was an overall surplus of £37k which will be allocated to the special expense reserve. This is a reduction of £14k over the original surplus estimate of £51k.

Housing Revenue Account (HRA) – The original estimate for the HRA was a deficit of £333k. The actual year end position was a deficit of £213k, resulting in an underspend of £120k.

The table below compares the original estimate with the actual year end position for all Council funds.

	2014-15 Original Estimate	2014-15 Actual	2014-15 Variances
	£'000	£'000	£'000
<b><u>General Expenses</u></b>			
Cost of Service Provision	7,089	6,571	-518
Other Items	-910	-1,264	-354
Council Tax & Grant Income	-6,179	-5,719	460
Deficit /Surplus(-) for Year	0	-412	-412
Transfer to Working Balance	0	0	0
Transfer from (-) to Reserves	0	412	412
Net Surplus(-)/Deficit	0	0	0
<b><u>Special Expenses</u></b>			
Cost of Service Provision	596	605	9
Other Items	-118	-112	6
Council Tax & Grant Income	-529	-530	-1
Deficit/Surplus(-) for Year	-51	-37	14
Transfer to Working Balance	0	0	0
Transfer to General Reserve	51	37	-14
Net Surplus(-)/Deficit	0	0	0
<b><u>Housing Revenue Account (HRA)</u></b>			
Expenditure	8,164	8,180	16
Income	-7,831	-7,967	-136
Deficit/Surplus(-) for year	333	213	-120

The reduced spend on general expenses of £412k over the original estimate was mainly due to:

- There has been an underspend within the benefits service of circa £120k as result of less benefit payments being made due to a reduction in case load. In addition to this due to increased proactivity in identifying claimant error and fraud, this resulted in a higher recovery of overpayments. Additional funds have also been received from DWP to deliver the service and other services within MBC with regards to Discretionary Housing Payments which have contributed to the cost of delivering the service.
- In general there have been a number of savings across services such as salary savings within customer services (£43k), reduced audit fees (£30k) and the client support strategy and the contingency not being required for Information Technology (£86k). These have been partly offset by the higher than anticipated project costs for Me and My learning (£30k).
  - The council has seen an increase in a number of key income streams such as Development control with a higher than anticipated number of major applications being received in year (£177k) and Wheels

to work has continued its success with client numbers further increasing which has generated additional income (£28k). In addition to fees and charges the Council has been proactive in obtaining grant funding to support service delivery such as grants from Leicestershire and Rutland Sports for strategic sports and leisure development. However, the Cattle Market has experienced a decline in animal auctions during the course of the year which has resulted in an under recovery of income totalling £21k.

- The amount received for business rates in total is higher than originally budgeted due to the amount collected being better than anticipated. This does however result in a higher levy paid to central government and the benefit to the Council will not be felt fully until 2016/17. This has been offset by the collection fund at the year-end being in surplus rather than the deficit budgeted for. The impact of all of these changes over that budgeted is a lower amount has been required to be transferred into the revenue account from the business rates equalisation reserve. This reserve was created to mitigate the impact of such fluctuations on the Council's financial position against budget with regard to business rates retention.
- There has been an increase of circa £98k in the provision for doubtful debts due to the level of outstanding sundry debts being higher as at the 31<sup>st</sup> March 2015 than at 31<sup>st</sup> March 2014.

In addition to the above there are a number of other service underspends where approval has been given to carry forward the budget into 2015-16.

The HRA year end position when compared to the original budget shows a net reduction in spending of £120k. This has been partially due to redecoration works for Gretton Court not being completed due to a larger capital scheme being undertaken as well as savings achieved on the purchase of fixtures & fittings. In addition to this there was a later than anticipated start on planned maintenance which was also impacted by tenant refusal, partially offset by an overspend on responsive repairs following higher void rates and higher demand. Overall there was a continued proactive and robust approach taken to budget spending and monitoring throughout the year.

### **Impact of the Current Economic Climate**

The current economic climate continues to prove challenging for the Council in terms of financial management but there are signs that it may be improving with the upturn on some of the significant income budgets. However, the Council will need to closely monitor this to see if the trend continues and as such, budget monitoring throughout 2015-16 will continue at an enhanced level as it prepares for the 2016-17 budget setting process and future funding pressures on government grant levels and spending.

### **New Accounting Policies**

Local authorities in the United Kingdom are required to prepare their Statement of Accounts (accounts) in accordance with 'proper practices', which is based on the Code of Practice of Local Authority Accounting (the Code).

### **Long Term Borrowing – Public Works Loans Board (PWL B)**

During the year, one PWLB loan was repaid and none raised leaving the outstanding loan debt at 31 March 2015 at £31.413m. The maturity profile of the outstanding loan debt at 31 March 2015 is shown below:

<b>Balance</b>	<b>Analysis of Loans by maturity</b>	<b>Balance</b>
<b>31 March 2014</b>		<b>31 March 2015</b>
<b>£'000</b>		<b>£'000</b>
448	Maturing in less than 1 year	0
0	Maturing in 1-2 years	0
0	Maturing in 2-3 years	0
<u>31,413</u>	Over 10 years	<u>31,413</u>
<b>31,861</b>		<b>31,413</b>

Accounting practice requires that local authorities disclose the fair value, i.e. (the settlement value), of their portfolio. The fair value at 31 March 2015 was £42.116m (£33.637m at 31 March 2014).

The figures have been calculated by reference to the 'premature repayment' set of rates in force on that day.

### **Investments**

During the year investments increased by £1.75m and stood at £16.45m at 31 March 2015. The fair value at that date was £16.492m.

## Capital Expenditure

Capital expenditure amounted to £3.192m which resulted in an underspend on the programme of £3.872m. Of this underspend, the full amount has been carried forward into 2015-16.

The major items of capital expenditure in 2014-15 were; disabled facilities grants (£0.258m) and various works to Council owned dwellings (£2.282m) including £1.549m on the building on new affordable rent council housing.

The programme was funded by the following sources:

	<b>£'000</b>
Capital receipts	814
Major repairs reserve	660
Development & Regeneration Reserve	1,039
Third party contributions	398
Government grants	134
Use of reserves	147
	<b><u>3,192</u></b>

Other than the expenditure on capital projects set out above and income received from capital receipts in the sum of £0.337m the other material change to assets and liabilities follows the revaluation of a number of assets and the subsequent write out of historic depreciation. In the year the revaluation reserve has increased by £6.419m and the depreciation provisions for Property Plant & Equipment ( PPE) have reduced by £6.910m.

## Reserves

Overall revenue reserves and revenue account surpluses increased by £2.188m and at 31 March 2015 totalled £10.897m. These are analysed below:

	<b>31 March 2014 as restated £'000</b>	<b>31 March 2015 £'000</b>
Special reserves	4,533	6,536
Other reserves	1,970	2,377
General Expenses working balance	820	820
Special Expenses working balance	53	44
Housing Revenue Account working balance	1,333	1,120
	<b><u>8,709</u></b>	<b><u>10,897</u></b>

The restatement in 2014 is due to the inclusion of the Major Repairs Reserve which had not previously been included.

## Pensions Liability

Since 2003-04 Local Authorities have had to account for retirement benefits when they are committed to give them, even if the actual payment will be many years into the future. As a result a total liability of £21.702m has been included in the balance sheet, thereby reducing the net worth of the Council. This is a significant increase on the liability of £17.792m at 31 March 2014. This is principally because financial assumptions at 31 March 2015 are less favourable than they were at 31 March 2014. The value of the liabilities have increased and had a negative impact on the IAS 19 position. Although asset returns have been greater than expected, the impact of the changes in assumptions outweighs the positive return on asset base. This deficit on the Local Government pension scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Head of Central Services.
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

### The Head of Central Services' Responsibilities

The Head of Central Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Head of Central Services has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

The Head of Central Services has also:

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

### CERTIFICATE

I certify that this Statement of Accounts presents a true and fair view of the financial position of Melton Borough Council at 31<sup>st</sup> March 2015, and its income and expenditure for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015.

.....  
D K Garton CPFA  
Section 151 Officer

Date: 19 June 2015

### APPROVAL BY THE COUNCIL

At its meeting on the 7th of July 2015 the Policy, Finance and Administration Committee resolved that the Statement of Accounts for 2014-15 subject to audit be approved. The audited Statement of Accounts was approved at a meeting of the Governance Committee held on the 28th of September 2015.

.....  
D K Garton CPFA  
Section 151 Officer

Date: 28 September 2015

.....  
Councillor PM Chandler  
Chair

Date: 28 September 2015

## 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 Services line shows the true economic cost of providing the authorities services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The net increase/decrease before transfers to Earmarked Reserved line shows the statutory General Fund Balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA Balance £'000	Earmarked HRA reserve £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 1 April 2013</b>	872	2,721	1,037	950	7,594	1,085	0	14,259	35,555	49,814
<b>Movement in Reserves during 2013-14</b>										
Surplus/deficit (-) on provision of services	-2,761	0	3,131	0	0	0	0	370	0	370
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	0	-1,720	-1,720
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>-2,761</b>	<b>0</b>	<b>3,131</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>370</b>	<b>-1,720</b>	<b>-1,350</b>
Adjustments between accounting basis & funding basis under regulation (note 4)	3,491	0	-2,379	0	-771	562	0	903	-903	0
<b>Net Increase/ decrease (-) before t/f to earmarked reserves</b>	<b>730</b>	<b>0</b>	<b>752</b>	<b>0</b>	<b>-771</b>	<b>562</b>	<b>0</b>	<b>1,273</b>	<b>-2,623</b>	<b>-1,350</b>
Transfers to earmarked reserves (note 5)	-729	729	-456	456	0	0	0	0	0	0
<b>Increase/Decrease (-) in Year</b>	<b>1</b>	<b>729</b>	<b>296</b>	<b>456</b>	<b>-771</b>	<b>562</b>	<b>0</b>	<b>1,273</b>	<b>-2,623</b>	<b>-1,350</b>
<b>Balance at 31 March 2014 Carried Forward</b>	<b>873</b>	<b>3,450</b>	<b>1,333</b>	<b>1,406</b>	<b>6,823</b>	<b>1,647</b>	<b>0</b>	<b>15,532</b>	<b>32,932</b>	<b>48,464</b>



	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>HRA Balance</b>	<b>Earmarked HRA Reserve</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2014 B/fwd</b>	<b>873</b>	<b>3,450</b>	<b>1,333</b>	<b>1,406</b>	<b>6,823</b>	<b>1,647</b>	<b>0</b>	<b>15,532</b>	<b>32,932</b>	<b>48,464</b>
<b>Movement in Reserves during 2014-15</b>										
Deficit (-)/ surplus on provision of services	-1,634	0	3,684	0	0	0	0	2,050	0	2,050
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	0	3,963	3,963
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>-1,634</b>	<b>0</b>	<b>3,684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,050</b>	<b>3,963</b>	<b>6,013</b>
Adjustments between accounting basis & funding basis under regulation (note 4)	2,391	0	-2,936	0	-467	652	0	-360	360	0
<b>Net Increase/decrease (-) before t/f to earmarked reserves</b>	<b>757</b>	<b>0</b>	<b>748</b>	<b>0</b>	<b>-467</b>	<b>652</b>	<b>0</b>	<b>1,690</b>	<b>4,323</b>	<b>6,013</b>
Transfers to earmarked reserves (note 5)	-766	766	-961	961	0	0	0	0	0	0
<b>Increase/Decrease (-) in Year</b>	<b>-9</b>	<b>766</b>	<b>-213</b>	<b>961</b>	<b>-467</b>	<b>652</b>	<b>0</b>	<b>1,690</b>	<b>4,323</b>	<b>6,013</b>
<b>Balance at 31 March 2015 Carried Forward</b>	<b>864</b>	<b>4,216</b>	<b>1,120</b>	<b>2,367</b>	<b>6,356</b>	<b>2,299</b>	<b>0</b>	<b>17,222</b>	<b>37,255</b>	<b>54,477</b>

More detailed information on the Council's Unusable Reserves are shown in note 20 to the Financial Statements.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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

2013-14 as restated				2014-15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Note	£'000	£'000	£'000
1,577	950	627		1,450	898	552
2,133	743	1,390		2,458	1,144	1,314
4,005	1,225	2,780		4,113	1,287	2,826
1,212	613	599		1,325	834	491
389	373	16		893	710	183
325	595	-270		364	601	-237
4,253	7,385	-3,132		4,248	7,932	-3,684
12,413	9,908	2,505		11,062	9,990	1,072
824	0	824		746	0	746
-32	0	-32		-11	0	-11
5	0	5		-18	0	-18
<b>27,104</b>	<b>21,792</b>	<b>5,312</b>		<b>26,630</b>	<b>23,396</b>	<b>3,234</b>
		552	6			661
		1,586	7			1,644
		-7,820	8			-7,589
		<b>-370</b>				<b>-2,050</b>
		-1,171				-7,115
		0				0
		0				0
		2,891				3,152
		<b>1,720</b>				<b>-3,963</b>
		<b>1,350</b>				<b>-6,013</b>

2013-14 restated to reflect drainage levy included in note 6- other operating expenditure, not in the net cost of services.

## 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 of reserves are usable reserves, i.e. those reserves the authority may use 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 is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement of reserves statement line "adjustments between accounting basis and funding basis under regulation".

31 March 2014		Notes	31 March 2015
£'000			£'000
82,283	Property Plant & Equipment	9	89,783
1,300	Investment Property	11	1,300
373	Intangible Assets	12	403
0	Long Term Investments	13	0
640	Long Term Receivables	13	684
<b>84,596</b>	<b>Long Term Assets</b>		<b>92,170</b>
206	Assets Held for Sale	16	128
4,676	Short Term Receivables	14	5,136
14,927	Cash and Cash Equivalents	15	16,662
<b>19,809</b>	<b>Current Assets</b>		<b>21,926</b>
259	Provisions	18	218
3,631	Short Term Payables	17	4,119
<b>3,890</b>	<b>Current Liabilities</b>		<b>4,337</b>
31,982	Long Term Borrowing	13	31,534
19,458	Other Long Term Liabilities	13/37	23,315
134	Capital Grants Receipts in Advance	31	72
477	Revenue Grants Receipts in Advance	31	361
<b>52,051</b>	<b>Long Term Liabilities</b>		<b>55,282</b>
<b>48,464</b>	<b>NET ASSETS</b>		<b>54,477</b>
15,532	Usable Reserves	4/19	17,222
32,932	Unusable Reserves	20	37,255
<b>48,464</b>	<b>TOTAL RESERVES</b>		<b>54,477</b>

The notes on pages 12 to 66 form part of the financial statements.

## CASH FLOW STATEMENT

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

The adjustments to the net deficit on the provision of service consist of non cash movements for items including depreciation, revaluations and impairments, and use of reserves.

The adjustments for items included in net deficit for investing and financing activities consists of the proceeds received from the sale of property plant and equipment.

<b>2013-14</b>		<b>Note</b>	<b>2014-15</b>
<b>As re-stated</b>			<b>£'000</b>
<b>£'000</b>			<b>£'000</b>
-370	Net deficit/surplus(-) on the provision of services		-2,050
-3,758	Adjustments to the net deficit/surplus(-) on the provision for services for non cash movements	21	-2,343
236	Adjustments for items included in the net deficit/surplus(-) on the provision of services that are investing and financing activities	21	-42
-3,892	Net cash flows from Operating Activities		-4,435
2,445	Investing Activities	22	2,252
0	Financing Activities	23	448
-1,447	Net increase(-) or decrease in cash and cash equivalents		-1,735
-13,480	Cash and cash equivalents at the beginning of the reporting period		-14,927
<b>-14,927</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>15</b>	<b>-16,662</b>

2013-14 re-stated due to a revised method of collating the cash flow statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'.
- The objective of showing the results of the stewardship and accountability of elected members and management of the resources entrusted to them.

The following underlying assumption:

- Going concern basis

The following qualitative characteristics:

- Understandability
- Relevance
- Materiality
- Reliability
- Comparability

The accounting policies have been applied consistently.

#### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2014-15 financial year and its position at the year end of 31 March 2015. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 (the Code) and SeRCOP (Service Reporting Code of Practice 2014-15). The Code is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is the professional body for accountants in the public sector. The Code is based on International Financial Reporting Standards (IFRS's).

The Code is a statement of 'proper accounting practice' with which local authorities must comply in preparing their Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2011.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets i.e. community assets, assets held for sale and certain elements of land & buildings where an appropriate valuation method is selected to best reflect the realisable value of the asset, and financial instruments.

#### b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet. An exception to this principle relates to energy supplies and similar quarterly payments which are charged at the date of meter reading rather than apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**c) 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 highly liquid investments that mature in three months 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 the bank overdraft that is repayable on demand and forms an integral part of the Council's cash management.

**d) Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, on the face of the Comprehensive Income and Expenditure Statement and in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

**e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

**f) 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 Council 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 an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**g) Employee Benefits**

**Benefits Payable during Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement via the Accumulated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council 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 appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancements of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, as well as projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value based upon the following:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.

The change in the net pension's 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 Council – the change during the period in the net defined pension liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in 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.

#### **Re-measurements 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 pension's 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.

**Contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations 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 any such

amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

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

#### **h) Events After the Reporting Period**

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

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

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

#### **i) Financial Instruments**

##### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council currently has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

##### **Financial Assets**

Financial assets are classified into two types:

- (i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- (ii) Available-for-sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payment.

The Council currently holds no available-for-sale financial assets.



## **Loans and Receivables**

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

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Interest**

All external interest received is credited to the General Fund. The amount credited to the Housing Revenue Account is determined in accordance with the Local Government & Housing Act 1989 and is offset against the amount credited to the General Fund.

## **j) Government Grants and Contributions**

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

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

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

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

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

## **k) Business Improvement District**

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement).

## **l) Heritage Assets**

The only Heritage Asset held on the Council's Balance Sheet is a property at 7 King Street, Melton Mowbray. However, as this asset is currently being used for letting purposes this would be classified as an operational building for the purposes of these accounts. This asset is therefore currently accounted for at market value and classified as land and buildings within Property, Plant and Equipment in the Balance Sheet.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

- **Civic Regalia** – the Council owns chains of office for the mayor, the mayor's consort and the young mayor but as the value of these chains are less than £10k these are considered to be de-minimus and are not reported on the Balance Sheet.
- **Art Collection** – the Council owns a Dora Webb miniature painting in an antique frame but as the value of the painting is less than £10k this is again considered to be de-minimus and not reported on the Balance Sheet.

**m) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council. This is subject to a de-minimus level of £10k.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the Council 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 cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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 relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) 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 in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

**n) Inventories and Long Term Contracts**

Purchasing stocks have been completely recharged to services in 2014-15.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**o) Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued 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 (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

**p) Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Council as Lessee**

**Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**The Council as Lessor**

**Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital

receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **(q) Overheads and Support Services**

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 2014-15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- (i) Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- (ii) Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The basis of allocation used for the main costs of overheads and support services are outlined below:-

<u>Cost</u>	<u>Basis of Allocation</u>
Support/Service Accounts	Estimated time spent by staff
Administrative Buildings	Number of personnel
Computer Materials	Actual use/number of personnel
Telephones	Number of personnel
Postages	Actual use
Printing & Photocopying	Actual use
Stationery	Actual use/number of personnel

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

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

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimus level of £10k has been set for capitalisation (i.e. no expenditure below this level will generally be capitalised). This is also applied to the Council's asset register.

There are some notable exceptions to this rule:

- (i) Where the cost attracts a specific capital grant or government supported borrowing approval.

- (ii) Where individual items of furniture, IT equipment and other equipment costing less than £10k are being bulk purchased; the cost for which can be capitalised.
- (iii) Feasibility costs in preparation for a larger scheme.

### **Measurement**

Assets are initially measured at cost, comprising:

- (i) The purchase price
- (ii) 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have 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.

Donated assets, where applicable, are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- (i) Infrastructure, some community assets and assets under construction – depreciated historical cost
- (ii) Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- (iii) All other assets – 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 or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- (i) 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).
- (ii) 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 lines(s) in the Comprehensive Income and Expenditure Statement.

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

### **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 it 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:

- (i) 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)
- (ii) 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(s) in the Comprehensive Income and Expenditure Statement.

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

## Depreciation

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

Depreciation is calculated on the following bases:

- (i) Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (see table below).
- (ii) Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified valuer (see table below).

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 (i.e. exceeding 25%), the components are depreciated separately. Only assets exceeding the value of £250,000 are considered material for componentisation and housing dwellings are excluded on the grounds of materiality.

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.

Depreciation is provided in the year of disposal rather than the year of acquisition. In determining depreciation for specific asset groups the following bases have been applied based on information provided by the appointed Valuer:-

<b>Asset</b>	<b>Depreciated</b>	<b>Basis</b>
<u>Council Dwellings</u>	Yes	Depreciation provided for on the basis of valuation of dwellings and useful life of 50 years. Garages are included within the valuation for Council Dwellings and are depreciated over a useful life of 15 years.
<u>Other Land and Buildings</u>		
Waterfield Leisure Centre	Yes	Depreciation charge based on estimated useful life of 20 years.
Car Parks	No	Assets in this category consist mainly of non-depreciable land.
Phoenix House	Yes	Depreciation charge based on estimated useful life of 41 years.
Parkside	Yes	Depreciation charge based on estimated useful life of 49 years
Cattle Market Improvement Schemes	Yes No	Depreciation charge based on useful life of 15 years.
<u>Vehicles, Plant Furniture and Equipment</u>	Yes	Depreciation provided on basis of estimated useful life of between 3-12 years.
<u>Community Assets</u>	No	Assets in this category consist mainly of play area land, allotment land and Melton Country Park.
<u>Infrastructure Assets</u>	No	Assets in this category consist mainly of non-depreciable land.
Land		
<u>Investment Assets</u>		
Industrial Estates	No	
<u>Community Assets</u>		
Land	No	Assets in this category consist mainly of non-depreciable land.
<u>Surplus Assets</u>	No	Assets held in this category are outside the scope for depreciation in accordance with the Code.
<u>Assets Held For Sale</u>	No	Assets held in this category are outside the scope for depreciation in accordance with the Code.

## **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 re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a 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 not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing (Right to Buy) disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). 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 non-current 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.

## **s) Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

The main provisions held by the Council are:-

- (i) Provisions for Doubtful Debts (Sundry Receivables) – General Fund and Housing Revenue Account.
- (ii) Provision for Doubtful Debts (Collection Fund).
- (iii) Provision for Doubtful Debts (Housing Rents).
- (iv) Provision for Appeals (Business Rate Retention Scheme – Collection Fund).
- (v) Provision relating to a fraudulent payment (General Fund).

Where payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

## **Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **t) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated 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, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

The following reserves are maintained:-

- (i) **Council Offices – Repairs & Renewals** – amounts are set aside from revenue to meet repairs and maintenance expenditure on the Council Offices.
- (ii) **Vehicles and Equipment and Christmas Lighting** – amounts are set aside from revenue to meet major repairs or replacement.
- (iii) **The Registrars Furniture** – amounts are set aside from revenue to meet the costs of replacing furniture for the Registrar.
- (iv) **Cemetery Drains** – amounts are set aside from revenue to meet the cost of replacing the French drains at the cemetery. At the end of 2013-14 the balance on this reserve was paid into the General Reserve – Special, as it is no longer considered to be required
- (v) **Car Parking Contributions** – amounts are received from developers of commercial properties in lieu of the provision of car parking places. These may be used for the provision of car parking places or other traffic improvement schemes. This has been fully utilised in the year.
- (vi) **Welland Shared Services** – introductory fees received by the Welland Joint Committee from other local authorities joining Welland Shared Services are held as a contingency for future one-off procurement projects. This has been returned in the year,
- (vii) **Melton Local Development Framework (MLDF)** – amounts are set aside from the Local Plans Revenue Budget to fund uneven patterns of spending on the MLDF.
- (viii) **Planning & Delivery Grant (PDG) & Housing & Planning Delivery Grant (HPDG)** – government grants received to be used to cover the costs of the production of the replacement local plan.
- (ix) **Corporate Priorities Reserve** – amounts are set aside from the General Fund General Expenses Revenue Account to fund capital expenditure or new initiatives which meet the Councils priorities.
- (x) **General Reserve – Special** – amounts are set aside from the General Fund Special Expenses Revenue Account to fund capital expenditure or new initiatives in the Special Expenses area of Melton Mowbray.
- (xi) **HRA Working Balance** – amounts are set aside from the Housing Revenue Account (HRA) and can be used to fund expenditure of a revenue and capital nature on the Council's housing stock.



- (xii) **General Expenses and Special Expenses (Melton Mowbray) Working Balances** – these represent reserves held as a working balance for contingency purposes (e.g. for emergencies) and the appropriate level is reviewed annually as part of the budget setting process.
- (xiii) **Capital Receipts Reserve** – income received from the sale of assets and may be used to repay loan debt or to finance new capital expenditure.
- (xiv) **Capital Contributions Unapplied** – this represents amounts received from third parties for the financing of capital expenditure but not yet applied.
- (xv) **Major Repairs Reserve** – this represents amounts set aside as depreciation from the HRA to finance capital expenditure to alleviate housing repairs problems.
- (xvi) **HRA Development & Regeneration Reserve** – amounts are set aside from the HRA and can be used to fund development and regeneration expenditure on the Council's housing stock.
- (xvii) **Pensions Reserve** – reflects the net assets/liabilities of the Pension Fund.
- (xviii) **New Homes Bonus** – government grant received, part of which is set aside to fund the cost of strategic and local infrastructure in support of growth, the development of new housing and services in support of growth.
- (xix) **Waterfield Leisure Centre Reserve – Repairs & Renewals** – amounts are set aside from revenue to meet repairs & maintenance expenditure at Waterfield Leisure Centre. In addition an income smoothing reserve has been created in the year to protect the council against large expected changes to the contract income.
- (xx) **Surplus/Deficit on Business Rate Retention (BRR) Scheme Reserve** – this will be utilised to even out surpluses/ deficits created on the revenue account as a result of changes in the levy payments and to mitigate fluctuations created by the surplus/deficit on the collection fund.
- (xxi) **Car Parking Machine reserve** – amounts set aside from the general fund to meet the cost of replacing the car park machines in 2018.

**u) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**v) Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**w) Special Expenses**

This statement of accounts refers at times to Special Expenses. Section 35(1) of the Local Government Finance Act 1992 defines special expenses as any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by a parish or community council or the chairman of a parish meeting unless a resolution of the authority to the contrary effect is in force.

**x) Presentation of Items in Other Comprehensive Income and Expenditure**

IAS 1 requires that where Councils have transactions that include amounts that are reclassifiable in the Surplus or Deficit on the provision of services, then the items listed in other comprehensive income and expenditure must be grouped into those items that:

- a) will not be reclassified subsequently to the surplus or deficit on the provision of services and
- b) will be reclassified subsequently to the surplus or deficit on the provision of services when specific conditions are met.

The Council does not have any such transactions and has therefore not grouped the items in other comprehensive income and expenditure into amounts that may be reclassifiable and amounts that are not.

## **2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

of service provision.

- All material contractual arrangements have been reviewed using the Council's contracts register in order to determine whether they have the substance of a lease or need to be accounted for as service concessions. None have been identified on further reference to the actual contractual agreements and these have been reviewed by the Council's auditors.

### 3 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's balance sheet at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs & maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs & maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for other land and buildings on the General Fund would increase by £20k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions applied.	The effect on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £4.9m.
Arrears	At 31 March 2015 the Council had a balance of sundry Receivables of £1,900k. A review of significant balances suggested that an impairment of doubtful debts of 12.04% (£229k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate and, for example, the level of remaining sundry debtors owing (after write offs and settlements) were to double, this could result in a £20k increase in the allowance for the impairment of doubtful debts.

### 4 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments made to the total Comprehensive Income and Expenditure statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

### General Fund Balance

The General Fund is the statutory fund which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. This balance however is not available to be applied to funding HRA services.

### Housing Revenue Account Balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government & Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### Capital Grants Unapplied

The Capital Grants Unapplied Account (reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

### Usable Reserves

	<u>2014-15</u>	General Fund Balance	HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>							
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets		603	954	0	0	0	-1,557
Amortisation of Intangible Assets		214	0	0	0	0	-214
Capital Grants and Contributions Applied		-532	0	0	0	0	532
Revenue Expenditure funded from capital under statute		327	0	0	0	0	-327
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		0	401	0	0	0	-401
Reduction in deferred receipt Deferred liability LCC licence Parkside		19	0	0	0	0	-19
Repayment of debt		-39	0	0	0	0	39
Revaluation gains from Property, Plant and Equipment		0	378	0	-378	0	0
		343	0	0	0	0	-343

	<b>2014-15</b>	<b>General Fund Balance</b>	<b>HRA Balance</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>							
Statutory provision for the financing of capital investment		-13	-391	0	0	0	404
Capital expenditure charged against the General Fund and HRA		-46	0	0	0	0	46
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account</u></b>							
Capital Grants and Contributions Unapplied credited to the Comprehensive Income & Expenditure Statement		-532	0	0	0	532	0
Application of Grants to capital financing transferred to the capital adjustment account		532	0	0	0	-532	0
<b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>							
Transfer of cash sale proceeds credited as part of the gain/loss in disposal to the Comprehensive Income & Expenditure Statement		-15	-476	491	0	0	0
Use of capital receipts reserve to finance new capital expenditure		0	0	-814	0	0	814
Contribution from capital receipts reserve towards administrative costs of non-current asset disposals		0	13	-13	0	0	0
Contribution from capital receipts reserve to finance the payments to the Government capital receipts pool		0	134	-134	0	0	0
Garage site costs charged to capital/written off to revenue		-3	0	3	0	0	0
<b><u>Adjustment primarily involving the Deferred Capital Reserve upon receipt of cash</u></b>							
Transfer of deferred sale process credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		-19	0	0	0	0	19
<b><u>Adjustments primarily involving the major repairs reserve</u></b>							
Reversal of major repairs allowance credited to the HRA		0	-1,690	0	1,690	0	0
Use of major repairs reserve to finance new capital expenditure		0	0	0	-660	0	660
<b><u>Adjustments involving the financial instruments account</u></b>							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		0	0	0	0	0	0

	<b>2014-15</b>	<b>General Fund Balance £'000</b>	<b>HRA Balance £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Movement in Unusable Reserves £'000</b>
<b><u>Adjustments primarily involving the pensions reserve</u></b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		1,580	65	0	0	0	-1,645
Employers' pension contributions and direct payments to pensioners payable in the year		-829	-58	0	0	0	887
<b><u>Adjustments primarily involving the collection fund adjustment account</u></b>							
Amount by which council tax and non-domestic rating income credited to the comprehensive income & expenditure statement differ from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements		-277	0	0	0	0	277
<b><u>Adjustment primarily involving the accumulated absences account</u></b>							
Amount by which officer remuneration charged to the comprehensive income & expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-33	-16	0	0	0	49
<b><u>Adjustments primarily involving Earmarked Reserves</u></b>							
Use of development & regeneration reserve to finance new capital expenditure		0	-1,039	0	0	0	1,039
Use of New Homes Bonus reserve to finance new capital expenditure		-100	0	0	0	0	100
<b><u>Miscellaneous Adjustments between funds</u></b>							
Interest payable & similar charges		1,172	-1,172	0	0	0	0
Interest & investment Income		-35	35	0	0	0	0
HRA gain/loss(-) on sale of non-current assets		-60	60	0	0	0	0
Contribution from the capital receipts reserve to finance payments to the Government pool		134	-134	0	0	0	0
<b>TOTAL ADJUSTMENTS</b>		<b>2,391</b>	<b>-2,936</b>	<b>-467</b>	<b>652</b>	<b>0</b>	<b>360</b>

<u>2013-14 Comparatives</u>	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>						
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	2,102	958	0	0	0	-3,060
Movements in the market value of Investment Properties	0	0	0	0	0	0
Amortisation of Intangible Assets	90	0	0	0	0	-90
Capital Grants and Contributions Applied	-733	0	0	0	0	733
Revenue Expenditure funded from capital under statute	298	0	0	0	0	-298
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0	287	0	0	0	-287
Reduction in deferred receipt	17	0	0	0	0	-17
Deferred liability LCC licence Parkside	-39	0	0	0	0	39
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	-13	-14	0	0	0	27
Capital expenditure charged against the General Fund and HRA	-130	0	0	0	0	130
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account</u></b>						
Capital Grants and Contributions Unapplied credited to the Comprehensive Income & Expenditure Statement	-733	0	0	0	733	0
Application of Grants to capital financing transferred to the capital adjustment account	733	0	0	0	-733	0
<b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>						
Transfer of cash sale proceeds credited as part of the gain/loss in disposal to the Comprehensive Income & Expenditure Statement	-64	-372	436	0	0	0

<b><u>2013-14 Comparatives</u></b>	<b>General Fund Balance</b>	<b>HRA Balance</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Use of capital receipts to finance new capital expenditure	0	0	-1,074	0	0	1,074
Contribution from capital receipts reserve towards administrative costs of non-current asset disposals	0	10	-10	0	0	0
Contribution from capital receipts reserve to finance the payments to the Government capital receipts pool	0	123	-123	0	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	0	0	0	0
<b><u>Adjustment primarily involving the Deferred Capital Reserve upon receipt of cash</u></b>						
Transfer of deferred sale process credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-17	0	0	0	0	17
<b><u>Adjustments primarily involving the major repairs reserve</u></b>						
Reversal of major repairs allowance credited to the HRA	0	-1,715	0	1,715	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	-1,153	0	1,153
<b><u>Adjustments involving the financial instruments account</u></b>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
<b><u>Adjustments primarily involving the pensions reserve</u></b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,401	58	0	0	0	-1,459
Employers' pension contributions and direct payments to pensioners payable in the year	-849	-58	0	0	0	907
<b><u>Adjustments primarily involving the collection fund adjustment account</u></b>						
Amount by which council tax and non-domestic rating income credited to the comprehensive income & expenditure statement differ from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	231	0	0	0	0	-231

<u>2013-14 Comparatives</u>	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b><u>Adjustment primarily involving the accumulated absences account</u></b>						
Amount by which officer remuneration charged to the comprehensive income & expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-6	11	0	0	0	-5
<b><u>Adjustments primarily involving Earmarked Reserves</u></b>						
Use of development & regeneration reserve to finance new capital expenditure	0	-464	0	0	0	464
<b><u>Miscellaneous Adjustments between funds</u></b>						
Interest payable & similar charges	1,172	-1,172	0	0	0	0
Interest & investment Income	-17	17	0	0	0	0
HRA gain/loss(-) on sale of non-current assets	-75	75	0	0	0	0
Contribution from the capital receipts reserve to finance payments to the Government pool	123	-123	0	0	0	0
<b>TOTAL ADJUSTMENTS</b>	<b>3,491</b>	<b>-2,379</b>	<b>-771</b>	<b>562</b>	<b>0</b>	<b>-903</b>



## 5 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amount posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014-15.

	FUND BALANCES												GENERAL RESERVES				Total Fund Balances & Reserves					
	Council Property Repairs & Renewals	Vehicles & Equipment Repairs & Renewals	Parochial Property	HPDG	HPDG	Car Parking Contribution	Milton Local Development Framework	Special Expenses Cemetery Drains	Welland Shared Services	Registrars Furniture Renewals	HRA Development & Regeneration	NHB	BRR	WLC	Total	General Reserve						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	
Balance: 1 April 2013	101	298	1	15	144	10	249	10	10	5	950	66	0	0	1,859	1,534	278	1,812			3,671	
<b>TRANSFERS IN</b>																						
Revenue Contributions: Service Accounts	62	128	0	0	0	0	0	0	0	0	920	244	255	50	1,659	74	101	175			1,834	
<b>TRANSFERS OUT</b>																						
Capital Expenditure Revenue	30	94	0	0	0	10	0	0	0	0	464	0	0	0	598	17	0	17			615	
	0	0	0	14	0	0	0	10	10	0	0	0	0	0	34	0	0	0			34	
Balance: 31 March 2014	133	332	1	1	144	0	249	0	0	5	1,406	310	255	50	2,886	1,591	379	1,970			4,856	
<b>TRANSFERS IN</b>																						
Revenue Contributions: Service Accounts	61	156	0	0	0	0	31	0	0	1	2,250	273	0	133	2,905	412	45	457			3,362	
<b>TRANSFERS OUT</b>																						
Capital Expenditure Revenue	0	-4	0	0	0	0	0	0	0	0	1,289	100	0	0	1,385	0	50	50			1,435	
	0	5	0	0	0	0	0	0	0	0	0	69	126	0	200	0	0	0			200	
Balance: 31 March 2015	194	487	1	1	144	0	280	0	0	6	2,367	414	129	183	4,206	2,003	374	2,377			6,583	

PDG = Planning Delivery Grant  
 HPDG = Housing Planning Delivery Grant  
 NHB = New Homes Bonus

BRR = Business Rates Retention Scheme  
 WLC = Waterfield Leisure Centre

## 6 OTHER OPERATING EXPENDITURE

2013-14 as restated £'000		2014-15 £'000
514	Parish Council Precepts	545
123	Payments to Government Housing Capital Receipts Pool	134
15	Drainage Rates Levy	15
39	Notional rent Parkside	39
<u>-139</u>	Gains on the disposal of non-current assets	<u>-72</u>
<b>552</b>	<b>Total</b>	<b>661</b>

Other Operating Expenditure restated to include drainage rates levy.

## 7 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013-14 £'000		2014-15 £'000
1,172	Interest payable and similar charges	1,172
643	Net interest on the net defined benefit liability (asset)	764
-113	Interest receivable and similar income	-163
-116	Income & expenditure in relation to investment properties and changes in their fair value	-129
<u>0</u>	Other investment income	<u>0</u>
<b>1,586</b>	<b>Total</b>	<b>1,644</b>

## 8 TAXATION AND NON SPECIFIC GRANT INCOME

2013-14 £'000		2014-15 £'000
-3,665	Council Tax Income	-3,689
-1,013	Non-Domestic Rates Income and Expenditure	-1,054
-2,409	Non-ring fenced government grants	-2,314
<u>-733</u>	Capital grants and contributions	<u>-532</u>
<b>-7,820</b>	<b>Total</b>	<b>-7,589</b>

9 PROPERTY, PLANT AND EQUIPMENT

Movements in 2014-15

**Cost of Valuation**

At 1 April 2014

Re-state previous revaluations recognised in CIES included in impairments

Restated at 1 April 2014

Additions

Revaluations recognised in revaluation reserve

Revaluations recognised in deficit on Provision of Services

De-recognition - Disposals

Assets reclassified to/from held for sale

Other Movements in cost/valuation

At 31 March 2015

**Accumulated Depreciation and Impairment**

At 1 April 2014

Re-state previous revaluations recognised in CIES included in impairments

Restated at 1 April 2014

Depreciation Charge

Depreciation written out to revaluation reserve

Depreciation written out to deficit on Provision of Services

Impairment losses recognised in revaluation reserve

Impairment losses recognised in deficit on the Provision of Services

De-recognition - Disposals

Other movement in depreciation & Impairment

At 31 March 2015

**Net Book Value**

At 31 March 2015

At 31 March 2014

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant & Equipment £'000
At 1 April 2014	101,848	25,596	2,485	55	487	0	0	130,471
Re-state previous revaluations recognised in CIES included in impairments	-29,039	-9,279	-194	0	0	0	0	-38,512
Restated at 1 April 2014	72,809	16,317	2,291	55	487	0	0	91,959
Additions	2,282	152	188	0	0	0	0	2,622
Revaluations recognised in revaluation reserve	-3,688	860	40	0	0	0	0	-2,788
Revaluations recognised in deficit on Provision of Services	-12	-400	8	0	-45	0	0	-449
De-recognition - Disposals	-195	0	0	0	0	0	0	-195
Assets reclassified to/from held for sale	-128	0	0	0	0	0	0	-128
Other Movements in cost/valuation	0	0	0	0	0	0	0	0
At 31 March 2015	71,068	16,929	2,527	55	442	0	0	91,021
At 1 April 2014	-37,247	-9,593	-905	-21	-422	0	0	-48,188
Re-state previous revaluations recognised in CIES included in impairments	29,039	9,279	194	0	0	0	0	38,512
Restated at 1 April 2014	-8,208	-314	-711	-21	-422	0	0	-9,676
Depreciation Charge	-954	-335	-265	-3	0	0	0	-1,557
Depreciation written out to revaluation reserve	9,162	605	134	0	0	0	0	9,901
Depreciation written out to deficit on Provision of Services	0	44	5	0	0	0	0	49
Impairment losses recognised in revaluation reserve	0	0	0	0	0	0	0	0
Impairment losses recognised in deficit on the Provision of Services	0	0	0	0	45	0	0	45
De-recognition - Disposals	0	0	0	0	0	0	0	0
Other movement in depreciation & Impairment	0	0	0	0	0	0	0	0
At 31 March 2015	0	0	-837	-24	-377	0	0	-1,238
At 31 March 2015	71,068	16,929	1,690	31	65	0	0	89,783
At 31 March 2014	64,601	16,003	1,580	34	65	0	0	82,283

2013-14 Comparatives

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2013	98,567	24,780	2,057	55	478	0	0	125,937
Additions	1,971	705	414	0	0	0	0	3,090
Revaluations recognised in revaluation reserve	1,654	111	14	0	9	0	0	1,788
Revaluations recognised in deficit on Provision of Services	0	0	0	0	0	0	0	0
De-recognition – Disposals	-174	0	0	0	0	0	0	-174
Assets reclassified to held for sale	-170	0	0	0	0	0	0	-170
Other movements in cost/valuation	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>101,848</b>	<b>25,596</b>	<b>2,485</b>	<b>55</b>	<b>487</b>	<b>0</b>	<b>0</b>	<b>130,471</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2013	-36,211	-6,951	-767	-21	-422	0	0	-44,372
Depreciation Charge	-918	-387	-134	0	0	0	0	-1,439
Depreciation written out to revaluation reserve	0	0	0	0	0	0	0	0
Depreciation written out to deficit on Provision of services	0	0	0	0	0	0	0	0
Impairment losses recognised in revaluation reserve	-78	-673	-4	0	0	0	0	-755
Impairment losses recognised in Surplus/Deficit on the Provision of Services	-40	-1,582	0	0	0	0	0	-1,622
De-recognition- Disposals	0	0	0	0	0	0	0	0
Other movement in depreciation and impairment	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>-37,247</b>	<b>-9,593</b>	<b>-905</b>	<b>-21</b>	<b>-422</b>	<b>0</b>	<b>0</b>	<b>-48,188</b>
<b>Net Book Value</b>								
at 31 March 2014	<b>64,601</b>	<b>16,003</b>	<b>1,580</b>	<b>34</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>82,283</b>
at 31 March 2013	<b>62,356</b>	<b>17,829</b>	<b>1,290</b>	<b>34</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>81,565</b>

## **Depreciation**

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – 50 years
- Other Land and buildings 14–50 years
- Vehicles, Plant, Furniture and Equipment – 3-12 years

## **Capital Commitments**

At 31 March 2015 the council had no capital commitments over a threshold of £100,000.

## **Effects of changes in Estimates**

There were no changes to the basis of estimating useful lives for Property, Plant and Equipment during the year.

## **Revaluations**

MBC carries out an annual revaluation programme that ensures that all Property, Plant and Equipment required is measured at fair value. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market at latest list price adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Market value is assessed on the value of the property being sold in an arm's length transactions by knowledgeable parties
- Depreciated replacement cost is used where properties are rarely sold and there is no active market. This applies to specialised properties such as public conveniences and Waterfield Leisure Centre.

## **Fixed Asset Valuation Information**

The freehold and leasehold properties which comprise the Council's property portfolio were valued as at 31 March 2015 by Ms Jane Galilee who is the Council's estates officer and a qualified member of the Royal Institute of Chartered Surveyors (RICS) with assistance from Mr David Blanchard the Council's Corporate Property Officer and also a qualified member of RICS. The valuations have been made in accordance with the RICS Appraisal and Valuation Standards Manual ('The Red Book') for all assets in the portfolio above the de-minimus threshold of £10k. In relation to the Councils Housing Portfolio the market value for each property has been determined.

Properties regarded by the Council as operational were valued on the basis of Market Value Existing Use. There are two notable exceptions to this valuation method.

The first relates to the Council's housing portfolio which has been valued on the basis of existing use for social housing. This is an accepted valuation method for stock held for this purpose and represents 34% of the open market value of the stock. For the purposes of determining the position as 31 March 2015 in respect of HRA properties the valuer has provided a value as at 31 March 2014 which has then been assessed as to any increases in value depending on property type and location based on the latest information available on market movements in the year.

The second exception relates to specialised property which is rarely if ever sold on the open market. As such an open market value cannot be determined. For this type of property, which includes the Councils Waterfield Leisure Centre and Public Conveniences, the Depreciated Replacement Cost method of valuation has been used.

Community Assets have been valued on the basis of market value, except where an open market value is not determinable, in which case historic cost has been used.

For determining the value of all Non HRA assets a valuation was also provided by Ms Galilee for all operational assets as at 31 March 2015 taking into account all the available evidence of movements in the year.

Vehicles and general plant and equipment not associated with buildings are valued on the basis of historic cost.

Plant and machinery is included in the valuation of the buildings.

### Fixed Asset Depreciation – IAS 16

In order to comply with IAS 16 the Council has obtained useful lives for all of the assets included in the balance sheet as part of the valuation process. The bases used to calculate depreciation for individual assets are disclosed in the Statement of Accounting Policies.

### 10 HERITAGE ASSETS

The Council has one asset which meets the criteria of a heritage asset to be included in the balance sheet under Financial Reporting Standard 30 (FRS 30). This is a grade II listed medieval timber framed building with an Edwardian shop front located at 7 King Street, Melton Mowbray (previously 5 King St). The building was the subject of a major restoration project completed in 2004 and substantially funded by the Heritage Lottery Fund. However, as the asset is currently being used for letting purposes it is classified as an operational asset under the land & buildings section of the Property, Plant and Equipment for the purpose of these accounts.

In addition the council has civic regalia and a painted miniature of a hunting scene in an antique frame by the artist Dora Webb who lived in Melton Mowbray between 1921 and 1933 which meet the criteria of heritage assets but whose values fall below the de-minimus threshold.

### 11 INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

	2013-14 £'000	2014-15 £'000
Rental Income from Investment Property	127	131
Direct Operating Expense arising from Investment Property	-65	-90
<b>Net Gain/Loss(-)</b>	<b>62</b>	<b>41</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2013-14 £'000	2014-15 £'000
Balance at year start	1,084	1,300
Additions:		
Purchases	0	0
Construction	0	0
Subsequent Expenditure	4	0
Disposals	0	0
Net Losses from fair value adjustments	0	0
Transfers:		
to/from investments	0	0
to/from property, plant & equipment	0	0
Revaluation increases recognised in the Revaluation Reserve	212	0
<b>Balance at Year End</b>	<b>1,300</b>	<b>1,300</b>

## 12 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant & Equipment. The intangible asset is purchased licences. Intangible assets are given a finite useful life based on assessments of the period the software or licence is expected to be of use to the Council. The useful lives assigned to the intangible assets are 5 years.

The movement on Intangible Assets in the year is as follows:

	2013-14			2014-15		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at year start:						
Gross carrying amounts	0	1,301	1,301	0	1,423	1,423
Accumulated amortisation	0	-959	-959	0	-1,050	-1,050
Net carrying amount at year start	0	342	342	0	373	373
Additions:						
Internal development	0	0	0	0	0	0
Purchases	0	122	122	0	243	243
Disposals	0	0	0	0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Amortisation in period	0	-91	-91	0	-83	-83
Other Changes	0	0	0	0	-130	-130
<b>Net Carrying Amount at year end</b>	<b>0</b>	<b>373</b>	<b>373</b>	<b>0</b>	<b>403</b>	<b>403</b>
Comprising:						
Gross Carrying Amounts	0	1,423	1,423	0	1,666	1,666
Accumulated amortisation	0	-1,050	-1,050	0	-1,263	-1,263
	<b>0</b>	<b>373</b>	<b>373</b>	<b>0</b>	<b>403</b>	<b>403</b>

There are no items of capitalised software that are material to the financial statements.

The Council would revalue its software assets acquired under licence where comparable licences are currently commercially available for purchase. Revaluations would be made at every year end based on the market price of the comparable licences at that date. The Council does not have any intangible assets where a revaluation can be obtained as described above.

The intangible assets of the Council consist mainly of items of software which are valued at amortised historic costs. The other assets, which make up less than 5% of the overall intangibles balance, consist of costs of the partnership scheme in conservation areas.

## 13 FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
<b>Investments</b>				
Loans and receivables	0	0	0	0
Available for sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit & loss	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Receivables</b>				
Loans and receivables	640	684	4,676	5,136
Financial Assets carried at contract amounts	0	0	0	0
<b>Total Included in Receivables</b>	<b>640</b>	<b>684</b>	<b>4,676</b>	<b>5,136</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	31,982	31,534	0	0
Financial liabilities at fair value through profit & loss	0	0	0	0
<b>Total Included in Borrowings</b>	<b>31,982</b>	<b>31,534</b>	<b>0</b>	<b>0</b>
<b>Other Long Term Liabilities</b>				
PFI & Finance lease liabilities	0	0	0	0
Deferred Liabilities	1,666	1,613	0	0
<b>Total Other Long Term Liabilities</b>	<b>1,666</b>	<b>1,613</b>	<b>0</b>	<b>0</b>
<b>Payables</b>				
Financial liabilities at amortised cost	0	0	3,631	4,084
Financial liabilities carried at contract amount	0	0	0	0
<b>Total Payables</b>	<b>0</b>	<b>0</b>	<b>3,631</b>	<b>4,084</b>



**Income, Expense, Gains and Losses:**

	2013-14				2014-15				
	Financial Liabilities measured at cost £'000	Financial Assets loans & receivable £'000	Financial Assets Available for sale £'000	Assets & Liabilities at fair value through profit & loss £'000	Financial Liabilities measured at cost £'000	Financial Assets loans & receivable £'000	Financial Assets Available for sale £'000	Assets & Liabilities at fair value through profit & loss £'000	Total £'000
Interest Expense	1,172	0	0	0	1,172	0	0	0	1,172
Losses on de-recognition	0	0	0	0	0	0	0	0	0
Reductions in fair value	0	0	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0	0	0
Fee expense	0	0	0	0	0	0	0	0	0
<b>Total expense in Surplus/Deficit on the Provision of Services</b>	<b>1,172</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,172</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,172</b>
Interest Income	0	113	0	0	0	163	0	0	163
Interest Income accrued on impaired financial assets	0	0	0	0	0	0	0	0	0
Increases in fair value	0	0	0	0	0	0	0	0	0
Gains on de-recognition	0	0	0	0	0	0	0	0	0
Fee Income	0	0	0	0	0	0	0	0	0
<b>Total Income in Surplus/Deficit on the Provision of Services</b>	<b>0</b>	<b>113</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>163</b>	<b>0</b>	<b>0</b>	<b>163</b>
Gains on Revaluation	0	0	0	0	0	0	0	0	0
Losses on Revaluation	0	0	0	0	0	0	0	0	0
Amounts recycled to the surplus/deficit on the Provision of Services after impairment	0	0	0	0	0	0	0	0	0
<b>Surplus/Deficit arising on revaluation of financial assets in Other Comprehensive Income &amp; Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Gain/Loss (-) for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term Receivables and Payables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

The valuations use the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate for a similar instrument with a published market rate, as the discount factor.

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	31,861	33,637	31,413	42,116
Long-Term Payables	0	0	0	0
Loans & receivables	14,700	14,718	16,450	16,492
Long-Term Receivables	0	0	0	0

## 14 RECEIVABLES

31 March 2014 £'000		31 March 2015 £'000
	Amounts falling due in one year:	
600	Central Government Bodies	0
1,541	Other Local Authorities	1,603
577	Housing rent	551
2,588	Other Entities and Individuals	3,702
-630	Provision for doubtful debts	-720
<b>4,676</b>		<b>5,136</b>

## 15 CASH AND CASH EQUIVALENTS

31 March 2014 £'000		31 March 2015 £'000
0	Cash Held by the Authority	0
227	Bank Current Accounts	212
11,200	Short-term deposits with Banks/Building Societies	15,100
0	Short-term deposits with the Debt Management Office	0
3,500	Money Market Funds	1,350
<b>14,927</b>	<b>Total cash &amp; cash equivalents</b>	<b>16,662</b>

## 16 ASSETS HELD FOR SALE

31 March 2014		31 March 2015
£'000		£'000
183	<b>Balance outstanding at start of year</b>	206
	Assets newly classified as held for sale:	
206	Property, Plant & Equipment	128
51	Revaluation Gains/Losses	0
	Assets declassified as held for sale:	
-36	Property, Plant & Equipment	0
-198	Assets Sold	-206
<b>206</b>	<b>Balance outstanding at year end</b>	<b>128</b>

## 17 PAYABLES

31 March 2014		31 March 2015
£'000		£'000
90	Central Government Bodies	183
72	Other Local Authorities	282
3,469	Other Entities and Individuals	3,654
<b>3,631</b>	<b>Total</b>	<b>4,119</b>

## 18 PROVISIONS

	Other Provisions	Total
	£'000	£'000
Balance at 1 April 2014	259	259
Actual Provisions made	178	178
Amounts used	-219	-219
Unused amounts reversed	0	0
Unwinding of discounting	0	0
<b>Balance at 31 March 2015</b>	<b>218</b>	<b>218</b>

### Other Provisions

The Council has two provisions within its accounts:

1. In 2013/14 the Council was victim to a fraud for which it was considered probable that a realistic estimate of the Council's loss would be half of the original payment, this provision amounted to £103k. This was settled in 2014/15 with the Council paying 80% of the loss, this provision was therefore fully utilised in the year.
2. The second provision represents the Council's proportion of the difference between the provision for losses due to appeals in respect of the Collection Fund at 31 March 2015, compared to that at 31 March 2014, this provision amounts to £218k.

## 19 USABLE RESERVES

Movements in the Authorities usable reserves are detailed in the Movement in Reserves Statement and note 4.

## 20 UNUSABLE RESERVES

31 March 2014		31 March 2015
£'000		£'000
4,077	Revaluation Reserve	11,125
0	Available for sale Financial Instruments Reserve	0
46,458	Capital Adjustment Account	47,298
0	Financial Instruments Adjustment Account	0
629	Deferred Capital Receipts Reserve	648
-17,792	Pensions Reserve	-21,702
-263	Collection Fund Adjustment Account	14
-177	Accumulated Absences Account	-128
<b>32,932</b>	<b>Total Unusable Reserves</b>	<b>37,255</b>

### Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

2013-14		2014-15
£'000		£'000
3,282	<b>Balance at 1 April</b>	4,077
2,074	Upward revaluation of Assets	9,901
-902	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	-2,786
1,172	Surplus/deficit (-) on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services	7,115
-377	Difference between fair value depreciation & historical cost depreciation	-67
0	Accumulated gains on assets sold or scrapped	0
-377	Amount written off to the Capital Adjustment Account	-67
<b>4,077</b>	<b>Balance at 31 March</b>	<b>11,125</b>

### Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date the revaluation reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

2013-14		2014-15
£'000		£'000
<b>46,215</b>	<b>Balance at 1 April</b>	<b>46,458</b>
	Reversal of items relating to capital expenditure on the Comprehensive Income & Expenditure Statement:	
0	Revaluation gains/losses on Property, Plant and Equipment	-343
-3,060	Charges for depreciation and impairment of non-current assets	-1,557
-91	Amortisation of Intangible Assets	-214
-298	Revenue expenditure funded from capital under statute	-327
-287	Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the comprehensive income & expenditure statement	-401
-3,736		-2,842
377	Adjusting amounts written out of the Revaluation Reserve	67
-3,359	Net written out amount of the cost of non-current assets consumed in the year	-2,775
	Capital Financing Applied in the year:	
1,074	Use of the Capital Receipts Reserve to finance new capital expenditure	814
1,152	Use of the Major Repairs Reserve to finance new capital expenditure	660
464	Use of Development & Regeneration Reserve to finance new capital expenditure	1,039
0	Use of New Homes Bonus Reserve to finance new capital expenditure	100
520	Capital Grants & Contributions credited to comprehensive income & expenditure statement that have been applied to capital financing	144
213	Application of Grants to capital financing from Capital Grants Unapplied Account	388
27	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	404
130	Capital expenditure charged against the General Fund and HRA balances	46
39	Deferred Liability – LCC Licence (Parkside)	39
-17	Change to Deferred Receipt - Nottingham Road Lease	-19
3,602		3,615
0	Movement in Market Value of Investment Properties	0
<b>46,458</b>	<b>Balance at 31 March</b>	<b>47,298</b>

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Account in the Movement in Reserves statement. Over time the expense/income is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, there are no premiums or discounts outstanding.

## Pensions Reserve

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

2013-14		2014-15
£'000		£'000
-14,349	<b>Balance at 1 April</b>	-17,792
-2,891	Re-measurements of the net defined benefit liability/asset(-) Reversal of items relating to retirement benefits credited to the deficit on provision of Services in the Comprehensive Income and Expenditure statement	-3,152
-1,459	Employers pension contributions and direct payments to pensioners payable in the year	-1,645
907		887
<b>-17,792</b>	<b>Balance at 31 March</b>	<b>-21,702</b>

## Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2013-14		2014-15
£'000		£'000
611	<b>Balance at 1 April</b>	629
17	Transfer of deferred sale proceeds credited as part of gain/loss on disposal on comprehensive income & expenditure statement	19
1	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>629</b>	<b>Balance at 31 March</b>	<b>648</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013-14		2014-15
£'000		£'000
-32	<b>Balance at 1 April</b>	-263
-231	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income & Expenditure Statement differs from Council Tax and Non-Domestic Rate income calculated for the year in accordance with statutory requirements	277
<b>-263</b>	<b>Balance at 31 March</b>	<b>14</b>

## Accumulated Absences Account

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

2013-14 £'000		2014-15 £'000
-172	<b>Balance at 1 April</b>	-177
	Settlement or cancellation of accrual made at the end of the preceding year	177
-177	Amounts accrued at the end of the current year	-128
	Amount by which officer remuneration charged to the comprehensive income & expenditure statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	49
-177	<b>Balance at 31 March</b>	-128

## 21 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2013-14 As re-stated £'000		2014-15 £'000
-113	Interest Received	-163
1,171	Interest Paid	1,171

The surplus/deficit on the provision of services has been adjusted for the following non-cash movements:

2013-14 As re-stated £'000		2014-15 £'000
-1,439	Depreciation	-1,557
-1,434	Impairment and downward valuations	-395
-91	Amortisation	-213
-148	Increase/decrease in bad debt provision	-90
-259	Increase/decrease in other provisions	41
-449	Increase/decrease in creditors	-488
500	Increase/decrease in debtors	550
-552	Movement of pension liability	-758
287	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	401
-173	Other non-cash items charged to the net surplus or deficit on the provision of services	166
-3,758		-2,343

The surplus/deficit on the provision of services has been adjusted for the following items that are investing and financing activities

<b>2013-14</b>		<b>2014-15</b>
<b>As re-stated</b>		<b>£'000</b>
<b>£'000</b>		
-372	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-481
608	other items for which the cash effects are investing or financing activities	439
<b>236</b>		<b>-42</b>

## **22 CASH FLOW STATEMENT – INVESTING ACTIVITIES**

<b>2013-14</b>		<b>2014-15</b>
<b>As re-stated</b>		<b>£'000</b>
<b>£'000</b>		
3,256	Purchase of Property, Plant & Equipment, investment property and intangible assets	2,865
297	Other payments for investing activities	327
-372	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	-481
-736	Other receipts from investing activities	-459
<b>2,445</b>	<b>Net cash-flows from investing activities</b>	<b>2,252</b>

## **23 CASH FLOW STATEMENT – FINANCING ACTIVITIES**

<b>2013-14</b>		<b>2014-15</b>
<b>As re-stated</b>		<b>£'000</b>
<b>£'000</b>		
0	Cash receipts of short and long term borrowing	0
0	Repayments of short and long term borrowing	448
<b>0</b>	<b>Net cash-flows from financing activities</b>	<b>448</b>

## **24 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

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 Council's Management Team on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows rather than the current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to services.

The code requires that the authority separately report on operating segments which account for 10% of the authority's gross expenditure or income and show segmental reporting for at least 75% of the total.

The Council has identified 9 reportable segments and 3 non-reportable segments based on its Management structure. These segments are reported to the Council's Management Team and Corporate Management Team, and resources are discussed at these meetings.

The reportable segments are:

- Regulatory Services – Environmental Protection & Safety
- Regulatory Services – Applications and Advice



- Community Services – Place
- Community Services – People
- Community Services – Plans
- Central Services – Assets & Regeneration
- Central Services – Financial
- Communications Service – Customer
- Communications Service – Civic

The Council's non reportable segments are Strategic, Support and Holding Accounts.

Of the 9 reportable segments the 3 separately reported below amount to 81.71% of the gross expenditure in 2014-15 (88.27% in 2013-14).

The income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

Service income and expenditure	Community Services		Regulatory Env Protection & Safety	Other All Other Segments	Total
	Place	People			
<b>2014/15</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	8,372	527	847	2,680	12,426
Government grants and other contributions	537	10,504	0	417	11,458
<b>Total income</b>	<b>8,909</b>	<b>11,031</b>	<b>847</b>	<b>3,097</b>	<b>23,884</b>
Employee expenses	881	1,194	244	4,094	6,413
Other service expenses	3,616	10,329	2,973	4,458	21,376
Support service recharges	1,497	892	317	-3,639	-933
<b>Total expenditure</b>	<b>5,994</b>	<b>12,415</b>	<b>3,534</b>	<b>4,913</b>	<b>26,856</b>
<b>Net expenditure</b>	<b>-2,915</b>	<b>1,384</b>	<b>2,687</b>	<b>1,816</b>	<b>2,972</b>

% of authorities gross expenditure      22.32%      46.23%      13.16%      18.29%

Service income and expenditure	Community Services		Regulatory Env Protection & Safety	Central Services Assets & Regeneration	Other All Other Segments	Total
	Place	People				
<b>2013/14 comparatives as re-stated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	7,678	293	827	1,675	1,109	11,582
Government grants and other contributions	342	10,060	26	12	262	10,702
<b>Total income</b>	<b>8,020</b>	<b>10,353</b>	<b>853</b>	<b>1,687</b>	<b>1,371</b>	<b>22,284</b>
Employee expenses	818	932	237	258	3,668	5,913
Other service expenses	3,426	10,079	2,969	2,828	2,688	21,990
Support service recharges	1,630	786	265	-95	-3,148	-562
<b>Total expenditure</b>	<b>5,874</b>	<b>11,797</b>	<b>3,471</b>	<b>2,991</b>	<b>3,208</b>	<b>27,341</b>
<b>Net expenditure</b>	<b>-2,146</b>	<b>1,444</b>	<b>2,618</b>	<b>1,304</b>	<b>1,837</b>	<b>5,057</b>

% of authorities gross expenditure      21.48%      43.15%      12.70%      10.94%      11.73%

Re-stated to allow for change in treatment of the drainage levy, as per other operating expenditure note. In addition to this, the grants and contributions have been re-stated to allow for grants and contributions from Leicestershire County Council previously included within fees, charges and other service income.

## Reconciliation of Services Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2013-14 as re-stated</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>
Net Expenditure in the Service Analysis	5,057	2,972
<b>Net Expenditure of services and support services not included in the analysis</b>	<b>0</b>	<b>0</b>
<b>Amounts in the Comprehensive Income &amp; Expenditure Statement not reported in the Service Analysis</b>		
Reversal of employers contribution (excluding HRA 2013-14 £58k, 2014-15 £59k)	-849	-829
Current service pension cost (excluding HRA 2013-14 £58k, 2014-15 £65k)	758	817
Reversal of previous year short term accumulated absences	-162	-157
Accrual of current year short term accumulated absences	157	124
Exceptional item(s)	5	-18
Corporate and Democratic Core recharge to HRA	203	201
Unapportionable overheads recharge to HRA	27	-5
<b>Amounts included in the analysis not included in the CIES</b>		
Trading undertakings	116	129
<b>Cost of services in the Comprehensive Income and Expenditure statement</b>	<b>5,312</b>	<b>3,234</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014-15	Service Analysis £'000	Services & Support Services not in analysis £'000	Amounts not reported to Management for decision making £'000	Amounts not included in CIES £'000	Allocation of recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees charges & other service income	-12,426	0	0	0	0	-12,426	0	-12,426
Interest & Investment Income	0	0	0	0	0	0	-163	-163
Income from Council Tax	0	0	0	0	0	0	-3,689	-3,689
Trading Undertakings	0	0	0	488	0	488	-488	0
Government Grants & Contributions	-11,458	0	0	0	0	-11,458	-3,368	-14,826
<b>Total Income</b>	<b>-23,884</b>	<b>0</b>	<b>0</b>	<b>488</b>	<b>0</b>	<b>-23,396</b>	<b>-7,708</b>	<b>-31,104</b>
Employee Expenses	6,413	0	-44	0	0	6,369	0	6,369
Other Service Expenses	19,948	0	0	0	0	19,948	0	19,948
Support Service Recharges	-933	0	195	0	0	-738	0	-738
Depreciation, Amortisation & Impairment	1,428	0	0	0	0	1,428	0	1,428
Trading Operations	0	0	0	-359	0	-359	359	0
Interest Payments	0	0	0	0	0	0	1,172	1,172
Pension interest cost and expected return	0	0	0	0	0	0	764	764
Precepts & Levies	0	0	0	0	0	0	560	560
Capital grants and contributions	0	0	0	0	0	0	-532	-532
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	134	134
Notional Parkside Rent	0	0	0	0	0	0	39	39
Exceptional item-imbalance	0	0	-18	0	0	-18	0	-18
Gains/Loss on Disposal of Fixed Assets	0	0	0	0	0	0	-72	-72
<b>Total Expenditure</b>	<b>26,856</b>	<b>0</b>	<b>133</b>	<b>-359</b>	<b>0</b>	<b>26,630</b>	<b>2,424</b>	<b>29,054</b>
<b>Surplus/Deficit on provision of services</b>	<b>2,972</b>	<b>0</b>	<b>133</b>	<b>129</b>	<b>0</b>	<b>3,234</b>	<b>-5,284</b>	<b>-2,050</b>

<b>2013-14 as re-stated Comparatives</b>	<b>Service Analysis £'000</b>	<b>Services &amp; Support Services not in analysis £'000</b>	<b>Amounts not reported to Management for decision making £'000</b>	<b>Amounts not included in CIES £'000</b>	<b>Allocation of recharges £'000</b>	<b>Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
Fees charges & other service income	-11,582	0	0	0	0	-11,582	0	-11,582
Interest & Investment Income	0	0	0	0	0	0	-113	-113
Income from Council Tax	0	0	0	0	0	0	-3,665	-3,665
Trading Undertakings	0	0	0	493	0	493	-493	0
Exceptional item	0	0	0	0	0	0	0	0
Government Grants & Contributions	-10,702	0	0	0	0	-10,702	-3,422	-14,124
<b>Total Income</b>	<b>-22,284</b>	<b>0</b>	<b>0</b>	<b>493</b>	<b>0</b>	<b>-21,791</b>	<b>-7,693</b>	<b>-29,484</b>
Employee Expenses	5,913	0	-97	0	0	5,816	0	5,816
Other Service Expenses	18,930	0	0	0	0	18,930	0	18,930
Support Service Recharges	-562	0	230	0	0	-332	0	-332
Depreciation, Amortisation & Impairment	3,060	0	0	0	0	3,060	0	3,060
Trading Operations	0	0	0	-376	0	-376	376	0
Interest Payments	0	0	0	0	0	0	1,172	1,172
Pension interest cost and expected return	0	0	0	0	0	0	643	643
Precepts & Levies	0	0	0	0	0	0	530	530
Capital grants and contributions	0	0	0	0	0	0	-733	-733
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	123	123
Notional Parkside Rent	0	0	0	0	0	0	39	39
Exceptional item-imbalance	0	0	5	0	0	5	0	5
Gains/Loss on Disposal of Fixed Assets	0	0	0	0	0	0	-139	-139
<b>Total Expenditure</b>	<b>27,341</b>	<b>0</b>	<b>138</b>	<b>-376</b>	<b>0</b>	<b>27,103</b>	<b>2,011</b>	<b>29,114</b>
<b>Surplus/Deficit on provision of services</b>	<b>5,057</b>	<b>0</b>	<b>138</b>	<b>117</b>	<b>0</b>	<b>5,312</b>	<b>-5,682</b>	<b>-370</b>

## 25 TRADING OPERATIONS

The Authority has established two trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations

### (a) Cattle Market

The Melton Mowbray Cattle Market was established under the Melton Mowbray Cattle Market Act 1869. The animal markets are operated under licence by a local consortium of auctioneers. Other activities include a farmer's market, antique and collector's fairs, car boot and agricultural vehicle sales.

The financial results were as follows:-

2013-14 £'000	2014-15 £'000
-366 Turnover	-357
311 Expenditure	269
<u>-55 Deficit/Surplus (-)</u>	<u>-88</u>

### (b) Industrial Estates

The Council lets 20 units at Snow Hill Industrial Estate, Melton Mowbray. These were provided to help small businesses. Over the years this account has produced a trading surplus.

2013-14 £'000	2014-15 £'000
-127 Turnover	-131
65 Expenditure	90
<u>-62 Deficit/Surplus (-)</u>	<u>-41</u>

## 26 AGENCY SERVICES

The Council has an agency agreement with Leicestershire County Council whereby the Council is responsible for the provision of children's services within the borough on behalf of the County Council. The County Council reimburses the borough for this work, including a contribution towards administrative costs.

A summary of expenditure incurred and reimbursement received in respect of the activity is as follows:

	2013-14 £'000	2014-15 £'000
Expenditure incurred in providing children's services to Leicestershire County Council	372	377
Management fee payable by the County	-357	-340
Net surplus(-)/deficit arising on the agency arrangement	<u>15</u>	<u>37</u>

## 27 MEMBERS' ALLOWANCES

The Authority paid the following amounts to members of the Council during the year.

	2013-14 £'000	2014-15 £'000
Allowances	170	174
Expenses	11	8
<b>Total</b>	<u>181</u>	<u>182</u>

## 28 OFFICERS REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

		<u>Salary, Fees &amp; Allowances</u>	<u>Expenses Allowance</u>	<u>Employer Pension</u>	<u>Total including Pension</u>
		£	£	£	£
Chief Executive	2013/14	82,905.93	1,306.11	15,640.56	99,852.60
	2014/15	86,892.13	1,318.81	13,485.01	101,695.95
Strategic Director	2013/14	70,031.66	1,365.27	13,033.68	84,430.61
	2014/15	70,060.01	1,242.58	11,237.48	82,540.07
Strategic Director	2013/14	68,973.58	1,239.00	13,033.68	83,246.26
	2014/15	70,529.32	1,354.92	11,237.47	83,121.71
Head of Central Services	2013/14	52,644.70	1,282.86	9,924.47	63,852.03
	2014/15	53,648.39	1,277.83	8,599.26	63,525.48
Head of HR & Communications	2013/14	52,271.77	1,243.62	9,924.47	63,439.86
	2014/15	53,474.41	1,248.68	8,599.26	63,322.35
Head of Communities & Neighbourhoods	2013/14	49,627.80	1,267.82	9,384.49	60,280.11
	2014/15	50,362.57	1,266.50	8,131.55	59,760.62
Head of Regulatory Services	2013/14	50,961.75	1,423.58	9,384.49	61,769.82
	2014/15	51,179.99	1,392.18	8,131.55	60,703.72

Remuneration for these purposes includes all taxable sums paid to or receivable by an employee, sums due by way of expenses allowances, and the money value of any other benefits received other than in cash, albeit the latter does not apply.

In accordance with Regulation 7 (2) of the Accounts and Audit (England) Regulations 2011 the Council is also required to disclose the number of other employees whose remuneration is in excess of £50,000 per annum, starting at that level and increasing in multiples of £5,000. There are no other employees in this category.

## 29 EXIT PACKAGES

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	3	0	0	0	3	0	29,970	0
£20,001- £40,000	0	0	0	0	0	0	0	0
£40,001- £60,000	0	0	0	0	0	0	0	0
£60,001- £80,000	0	0	0	0	0	0	0	0
£80,001- £100,000	0	0	0	0	0	0	0	0
£100,000- £150,000	0	0	0	0	0	0	0	0
<b>Total Cost included in bandings and in the CIES</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>29,970</b>	<b>0</b>

### 30 EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and to non-audit services provided by the Council's external auditors:

2013-14 £'000		2014-15 £'000
39	Fees payable to the appointed auditor in respect of external audit services	39
34	Fees payable to the appointed auditor for the certification of grant claims and returns	23
3	Fees payable in respect of any other services over and above the normal services provided by the appointed auditor	18
<b>76</b>		<b>80</b>

### 31 GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in the year:

	2013-14 £'000	2014-15 £'000
<b>Credited to Taxation and Non-specific Grant Income</b>		
LCC – Choose How You Move & Wheels to Work	81	101
Job Centre Plus - Parkside	35	0
Department of Energy and Climate Change re: Fuel Poverty	59	0
Section 106 Contributions	19	5
Decent Homes	395	0
Department of Health – Warm Homes	6	26
Dog Statue	9	9
Disabled Facilities Grants	129	108
LCC New Affordable Housing	0	250
Insurance contribution to Fire at Robin Crescent	0	33
<b>Total</b>	<b>733</b>	<b>532</b>

	<b>2013-14</b>	<b>2014-15</b>
	<b>As Restated</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Services</b>		
Fraud Incentive Scheme Grant	41	0
Verification Framework Grant	32	0
Section 31 Grants	168	387
Positive Activities for Young People Grant	45	17
Supporting People Grant	219	245
Family Intervention Project Funding & Supporting Leics Families	167	133
Commissioning Children's Service & Extended Schools Funding	415	333
Flexible Support Funding	36	58
Priority Need Grant	21	21
Business Improvement District Contributions	26	30
Integrated Youth Support Services Grant	19	2
Community Safety BCU Initiative Funding	12	0
LLEP – Growing Places Funding (Cattle Market)	0	50
Efficiency Support Sparse Areas Grant	5	13
Individual Electoral Registration Funding	3	23
New Burdens Grant	15	15
Transformational Challenge Award	0	45
Early Help	0	53
LA Data Sharing	0	12
Landscape Capacity Study	0	19
Town Centre Linkages	13	68
Green Deal	16	0
Other Grants & Contributions	44	38
<b>Total</b>	<b>1,297</b>	<b>1,562</b>

The Council 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 or property to be returned to the giver. The balances at the year-end are as follows:

	<b>31 March 2014</b>	<b>31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Grant Receipts in Advance</b>		
Section 106 Monies	34	58
Choose How you Move	59	0
Wheels to Work	13	0
Warm Homes Grant Funding	26	0
Individual Electoral Registration	2	0
Melton Country Park Pavilion	0	5
Leisure Vision	0	9
<b>Total</b>	<b>134</b>	<b>72</b>



	31 March 2014	31 March 2015
	£'000	£'000
<b>Revenue Grant Receipts in Advance</b>		
Health Forum Income	11	7
Town Centre Regeneration	2	2
Portas Funding	6	4
LCC Contribution to LCC staff	24	0
Council Tax Billing – Efficiency Project	9	9
Mortgage Rescue Programme	21	0
Vanguard funding	30	22
New Burdens Grants	54	81
Sainsbury Cost Contribution	70	35
DWP Training	4	0
Welland Wheels to Work Contributions	86	64
Contribution towards Housing Strategy	5	4
Atlas Funding	3	0
Housing Benefit Transitional monies	3	3
Positive Activities for Young People	17	2
Integrated Youth Support Services	2	0
Community Safety Initiatives	10	0
Sports – Public Health and Post Natal Project	7	7
LCC Innovation Fund	4	4
Council Tax Transition Grant	2	2
Efficiency Support in Sparse Areas	13	4
S106 Town Centre Linkages	59	39
Neighbourhood Planning Grant	10	10
Green Deal	7	7
INSPIRE Grant	7	7
Individual Electoral Registration	5	17
Phoenix House Improvements	6	8
FERIS	0	2
Early Help	0	6
Town Centre Investment Management	0	15
<b>Total</b>	<b>477</b>	<b>361</b>

## 32 RELATED PARTIES

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

**Central Government** has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills). Grants received from government departments are set out in the subjective analysis in Note 24 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in note 31.

**Members** of the Council have direct control over the Council's financial and operating policies. The following Members have declared 'related party transactions' with the Council during the year:

Councillor M.O'Callaghan:

- a) Chairman of Melton Mowbray Food Partnership which received a payment of £312 during the year.

Councillor P Cumbers:

- b) Trustee of Shop Mobility which received a payment of £1,450 during the year together with a benefit in kind ie free energy costs

Councillor M Twitney:

- c) Parent/Governor at John Ferneley College Academy which received a payment of £240 during the year, and an employee at Brooksby Melton College to whom payments totalling £6,790 were made in 2014-15.

- d) Councillor R de Burle:

Finance Chair of Asfordby Parish Council which received payments of £134,589.45 during the year. This included the parish precept and other related payments.

- e) Councillor M Sheldon:

Chairman of Asfordby Parish Council which received payments of £134,589.45 in the year. This included the Parish precept of £126,399.45

- f) Councillor P Posnett:

Trustee of Melton Mowbray Bid Company Ltd for which £99,216.71 has been identified as expenditure.  
Trustee of Melton Learning Hub which received payments totalling £24,140.83 during the year.  
Trustee of Melton Mencap which received payments totalling £6,137.00 during the year.

- g) No return has been received from Councillor L Horton

**Officers.** The following officer of the Council has declared 'related party transactions' with the Council during the year:

Keith Aubrey:

Strategic Director is a Director of Melton Learning Hub which received payments totalling £24,140.83 during the year.

### Entities controlled or significantly influenced by the Authority

The Welland Partnership is a committed consortium of six local authorities from East Northamptonshire, Corby, Melton, Rutland, Blaby and Wellingborough; a partnership by choice. It has established joint officer working groups, created shared appointments and secured joint funding in its collective aim of delivering improved services.

### 33 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2013-14 £'000		2014-15 £'000
32,066	<b>Opening Capital Financing Requirement</b>	32,039
	<b>Capital Investment:</b>	
3,130	Property, Plant and Equipment	2,622
4	Investment Properties	0
122	Intangible Assets	243
297	Revenue Expenditure funded from Capital under statute	327
	<b>Sources of Finance</b>	
-1,074	Capital Receipts	-814
-733	Government Grants and other contributions	-532
	<b>Sums set aside from revenue:</b>	
-1,746	Direct revenue contributions	-1,846
-27	(MRP/loans fund principal)	-404
0	Use of Capital Receipts to repay General Fund CFR	0
<b>32,039</b>	<b>Closing Capital Financing Requirement</b>	<b>31,635</b>

### Explanation of Movements in Year

0	Increase in underlying need to borrow (supported by Government financial assistance)	0
-27	Increase in underlying need to borrow (un-supported by Government financial assistance)	-404
<b>-27</b>	<b>Increase/ decrease (-) in Capital Financing Requirement</b>	<b>-404</b>

## 34 LEASES

### Authority as Lessee

#### Finance Leases

The authority holds no finance leases.

#### Operating Leases

The authority holds no operating leases

### Authority as Lessor

#### Finance Leases

The Council holds one finance lease in respect of land at Nottingham Road which is being written down over the 125 years of the lease in accordance with proper accounting practice. The current value of the lease is £647,575 as at 31 March 2015.

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

	31 Mar 2014	31 Mar 2015
	£'000	£'000
Not later than 1 year	25	25
Later than one year and not later than five years	109	113
Later than five years	26,512	26,483
	<b>26,646</b>	<b>26,621</b>

#### Operating Leases

The authority leases out property for the provision of services including Snow Hill Units, Phoenix House and 7 King Street.

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

	31 Mar 2014	31 Mar 2015
	£'000	£'000
Not later than 1 year	169	163
Later than one year and not later than five years	207	205
Later than five years	0	78
	<b>376</b>	<b>446</b>

## 35 IMPAIRMENT LOSS

During 2014-15 the Council recognised an impairment loss in relation to Community Assets, this impairment was valued at £45k.

## 36 TERMINATION BENEFITS

The Authority terminated contracts for no employees in 2014-15, so incurring no liabilities (£30k in 2013-14).

## 37 DEFINED BENEFIT PENSION SCHEMES

### Participation in Pensions Scheme

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

#### The Council participates in the following:

The Local Government Pension Scheme administered by Leicestershire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

### Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually 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 post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

<b>Comprehensive Income and Expenditure Statement</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>
Cost of Services:		
Current Service Cost	816	881
Past Service Costs	0	0
Gain(-)/Loss from Settlements	0	0
Financing & Investment Income and Expenditure:		
Net Interest Expense	643	764
<b>Total Post Employment Benefit Charged to the Deficit on the Provision of Services</b>	<b>1,459</b>	<b>1,645</b>
Other post employment benefits charged to the Comprehensive Income Expenditure Statement:		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net Interest expense)	-200	2,822
Actuarial gains & losses arising on changes in demographic assumptions	-793	0
Actuarial gains & losses arising on changes in financial assumptions	-1,008	-6,323
Other	-890	349
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>-2,891</b>	<b>-3,152</b>
Movement in Reserves Statement:		
Reversal of Net Charges made to the deficit on the provision of services for post employment benefits in accordance with the code	1,459	1,645
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employers contribution payable to the scheme	834	813
Retirement benefits payable to pensioners	73	74
	<b>907</b>	<b>887</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	2013-14	2014-15
	£'000	£'000
Present Value of the defined benefit obligation	-41,026	-48,443
Fair Value of plan assets	24,414	27,979
Sub Total	<u>-16,612</u>	<u>-20,464</u>
Other movements in the liability/asset(-)	-1,180	-1,238
<b>Net liability arising from defined benefit obligation</b>	<b><u>-17,792</u></b>	<b><u>-21,702</u></b>

### Reconciliation of the Movements in the Fair Value of the Scheme Assets:

	2013-14	2014-15
	£'000	£'000
Opening fair value of scheme assets	23,763	24,414
Interest Income	1,064	1,043
Re-measurement gain/ loss(-):		
The return on plan assets, excluding the amount included in the	-200	2,822
Net interest expense		
Other		
Contributions from employer	907	887
Contributions from employees into the scheme	229	254
Benefits paid	<u>-1,349</u>	<u>-1,441</u>
<b>Closing fair value of scheme assets</b>	<b><u>24,414</u></b>	<b><u>27,979</u></b>

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2013-14	2014-15
	£'000	£'000
Opening balance at 1 April	38,112	42,206
Current Service Cost	816	881
Interest Cost	1,707	1,807
Contributions from scheme participants	229	254
Remeasurement gain(-)/ loss:		
Actuarial gains/losses arising from changes in demographic assumptions	793	0
Actuarial gains/losses arising from changes in financial assumptions	1,008	6,323
Other	890	-349
Past Service Cost	0	0
Losses/gains(-) on curtailments	0	0
Benefits paid	<u>-1,349</u>	<u>-1,441</u>
<b>Closing balance at 31 March</b>	<b><u>42,206</u></b>	<b><u>49,681</u></b>

### Local Government Pension Scheme assets comprised:

	2013-14	2014-15
	£'000	£'000
<b>Equity Securities</b>		
Other	897	868
<b>Debt Securities</b>		
UK Government	302	1,535
Other	1,745	1,151
<b>Private Equity</b>		
All	958	1,061
<b>Real Estate</b>		
UK Property	2,282	2,651

**Investment Funds and****Unit Trusts:**

Equities	12,309	14,107
Bonds	1,607	2,606
Hedge Funds	834	1,214
Commodities	1,106	1,176
Infrastructure	554	660
Other	1,266	513
<b>Derivatives</b>		
Interest Rate	0	157
<b>Cash and Cash Equivalents:</b>		
All	554	280
<b>Total Assets</b>	<b>24,414</b>	<b>27,979</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The last formal actuarial valuation in respect of the Leicestershire County Council Pension Fund was carried out as at 31 March 2013. The actuary has projected the results of this valuation to 31 March 2015 using approximate method.

The significant assumptions used by the actuary have been:

	2013-14	2014-15
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	22.2	22.2
Women	24.3	24.3
Longevity at 65 for future pensioners:		
Men	24.2	24.2
Women	26.6	26.6
<b>Rate of inflation</b>	2.8%	2.4%
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions	2.8%	2.4%
Rate of discounting scheme liabilities	4.3%	3.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Impact on the defined Benefit Obligation in the Scheme**

	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase in 1 year)	1,490	
Rate of increase in salaries (increase by 0.5%)	1,621	
Rate of increase in pensions (increase by 0.5%)	3,249	
Rate for discounting scheme liabilities (decrease by 0.5%)		4,986

## Impact on the Authorities Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Leicestershire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or for service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £862k in expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 17.7 years.

## 38 CONTINGENT LIABILITIES

At the 31 March 2015 the Council had one material contingent liability:

Appeals relating to NNDR had to be lodged with the Valuation Office by the 31 March 2015 for those appeals to be backdated to 1 April 2010. Some of these appeals may not be resolved until 2016-17. The Valuation Office may also make alterations to the rating list back to 1 April 2010 for alterations made before 1 April 2016.

## 39 CONTINGENT ASSETS

There are no claims for compensation to be sought by the Council as a contingent asset at the year end.

## 40 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### 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 or stock market movements.

### Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance (regulations – Scotland) issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury 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 to 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 Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. 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 after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 5<sup>th</sup> February 2014 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £45m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £35.012m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £38m and £7m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are detailed in the strategy.

Risk management is carried out by the treasury manager, under policies approved by the Council in the annual treasury management strategy. The Council provides 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.

### **Credit risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2014/15 was approved by Full Council on 5<sup>th</sup> February 2014 and is available on the Council's website.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £16,450k 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 of the Authority's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions



	Amount £000s	Historical experience of default % (1)	Adjustment for market conditions %	Estimated maximum exposure to default £000s	Estimated maximum exposure to default £000s
	31 March 2015	31 March 2015	31 March 2015	31 March 2015	31 March 2014
Bonds rated:					
AAA	N/A	N/A	N/A	N/A	N/A
AA	N/A	N/A	N/A	N/A	N/A
A	N/A	N/A	N/A	N/A	N/A
BBB	N/A	N/A	N/A	N/A	N/A
Customers *	1,900	5%	5%	1,995	1,013
Total	1,900	N/A	N/A	1,995	1,013

\* - Excluding statutory debtors – Council Tax/NNDR

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £669,000 of the £1.9m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2015 £000s	31 March 2014 £000s
Less than three months	203	267
Three to six months	51	21
Six months to one year	32	73
More than one year	383	433
Total	669	794

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

### Liquidity risk

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 as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2015 £000s	31 March 2014 £000s
Less than 1 year	16,450	14,700
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
More than 3 years	0	0
Total	16,450	14,700

## Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury 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 treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period approved Council in the Treasury Management Strategy:

	Approved minimum limits %	Approved maximum limits %	Actual 31 March 2015 £000s	Actual 31 March 2014 £000s
Less than 1 year	0	100	0	448
Between 1 and 2 years	0	100	0	0
Between 2 and 5 years	0	100	0	0
Between 5 and 10 years	0	100	98	0
More than 10 years	0	100	31,315	31,413
Total	n/a	100	31,413	31,861

## Market risk

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury manager will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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	43.5
Increase in Government grant receivable for financing costs*	0
Impact on Surplus or Deficit on the Provision of Services	43.5
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0

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

**Price risk** - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

## HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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

2013-14		2014-15	
£'000		£'000	£'000
	<b>Expenditure</b>		
1,914	Repairs and Maintenance	1,835	
985	Supervision and Management	1,084	
77	Rent, rates, taxes and other charges	75	
958	Depreciation & impairment of non-current assets	966	
21	Debt Management Costs	30	
68	Movement in the allowance for bad debts	63	
<b>4,023</b>	<b>Total Expenditure</b>		<b>4,053</b>
	<b>Income</b>		
6,911	Dwelling Rents		7,332
93	Non-dwelling Rents		94
380	Charges for services and facilities		506
<b>7,384</b>	<b>Total Income</b>		<b>7,932</b>
	<b>Net cost/ income (-) of HRA services as included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>-3,879</b>
-3,361	HRA services share of Corporate & Democratic core		201
27	HRA services share of Non-Distributed Costs		-6
<b>-3,131</b>	<b>Net Cost/ income (-) of HRA Services</b>		<b>-3,684</b>
	<b>HRA Share of the operating income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
-75	Gain on sale of HRA non-current assets		-60
1,172	Interest Payable and similar charges		1,172
-17	Interest & Investment Income		-35
45	Pensions interest cost and expected return on pensions asset		50
<b>-2,006</b>	<b>Deficit/ Surplus(-) for the year on HRA Services</b>		<b>-2,557</b>

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

2013-14		2014-15	
£'000		£'000	
-1,037	Balance on HRA at end of previous year	-1,333	
-2,006	Deficit/ surplus (-) for the year on the HRA Income and Expenditure Statement	-2,557	
19	Adjustments between accounting basis and funding basis under statute	20	
<b>-1,987</b>	<b>Net decrease/increase (-) before transfers to/from reserves</b>	<b>-2,537</b>	
1,691	Transfers from(-)/to earmarked reserves	2,750	
<b>-296</b>	<b>Increase in the year on the HRA</b>	<b>213</b>	
<b>-1,333</b>	<b>Balance on the HRA at end of current year</b>	<b>-1,120</b>	

## NOTE TO THE MOVEMENT ON THE HRA STATEMENT

2013-14		2014-15
£'000		£'000
	<b>Adjustments between Accounting basis and funding basis under statute</b>	
0	Difference between interest payable and similar charges	0
-11	Accumulated Absences accrual	17
75	Gain on sale of non-current assets	60
-45	HRA Share of contributions to/from the Pensions Reserve	-57
0	Capital Expenditure Funded by the HRA	0
0	Revenue expenditure funded from Capital Under statute	0
<b>19</b>		<b>20</b>
	<b>Transfers to/from (-) Reserves</b>	
797	Transfer to Major Repairs Reserve	736
-26	Transfer from Capital Adjustment Account	14
920	Transfers to other Reserves	2,000
<b>1,691</b>		<b>2,750</b>

## NOTES TO THE HRA FINANCIAL STATEMENTS

The Housing Revenue Account reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with part 6 of the Local Government and Housing Act 1989. The Act sets the framework for "ring fencing" the Housing Revenue Account (HRA). The account has to be self financing and there is a legal prohibition on cross subsidy to or from the General Fund.

### 1 Number of Dwellings

2013-14		2014-15
Dwellings		Dwellings
1,878	At 1 April	1,872
8	Sold during year	10
0	Converted in year	1
2	Purchased/Built in year	10
<b>1,872</b>	At 31 March	<b>1,871</b>

### 2 Type of Dwelling

2013-14		2014-15
Dwellings		Dwellings
873	Houses	873
284	Bungalows	284
715	Flats and maisonettes	714
<b>1,872</b>		<b>1,871</b>

### 3 Movement in Fixed Assets

	Operational assets			Non-Operational Assets	Total
	Dwellings	Other land & buildings	Surplus assets not held for sale	Other land & buildings	
	£'000	£'000	£'000	£'000	£'000
Net book value 31 March 2014	61,281	2,928	0	392	64,601
Revaluation Adjustment	77	88	0	3	168
<b>Net Book Value 1 April 2015</b>	<b>61,358</b>	<b>3,016</b>	<b>0</b>	<b>395</b>	<b>64,769</b>
<b>Movement in 2014-15</b>					
Spending in Year	2,282	0	0	0	2,282
Disposals	-195	0	0	0	-195
Reclassification	-128	0	0	0	-128
Transfers	176	-76	0	-100	0
Revaluation increase/decrease recognised in the Revaluation Reserve	5,252	51	0	3	5,306
Revaluation increase/decrease recognised in the surplus/deficit on the provision of services	0	0	0	-12	-12
Depreciation / Amortisation	-859	-92	0	-3	-954
<b>Net book value at 31 March 2015</b>	<b>67,886</b>	<b>2,899</b>	<b>0</b>	<b>283</b>	<b>71,068</b>

Housing properties were valued on the basis of 'Existing use value – Social Housing'. Depreciation for operational and non operational assets has been calculated using estimated useful lives following assessment by the valuer. During 2014-15 the valuer has altered the property values in the HRA reflecting the current condition of the housing market, increasing values by 8-9%.

10 properties were sold in the year under Right to Buy. In the Right to Buy situation the Council is constrained by law from selling the dwellings at their market value, the fair comparison is between the sale proceeds and the value subject to the statutory constraint, which results in no gains or losses. In addition during the year 10 properties were built which have not yet been brought into use, these properties will be let at affordable housing rent during 2015/16. Also 2 bedsits were converted into 1 flat during the year.

### 4 Assets Held For Sale

	2013-14	Current	2013-14	Non-Current
	£'000	2014-15 £'000	£'000	2014-15 £'000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>	<b>183</b>	<b>206</b>
Assets newly classified as held for sale	0	0	206	128
Revaluation Gains	0	0	51	0
Assets declassified as held for sale	0	0	-36	0
Assets Sold	0	0	-198	-206
<b>Balance outstanding at year end</b>	<b>0</b>	<b>0</b>	<b>206</b>	<b>128</b>

At 31 March 2015 it was considered by the Council's legal team that there were 3 dwellings which were virtually certain to complete on Right to Buy terms during the following year. These properties have therefore been re-classified in the accounts as assets held for sale and valued at the lower of their carrying value and their value less costs to sell. The carrying value in all cases was the lower, so no revaluation loss has been identified.

### 5 Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the HRA at 1 April 2014 was £181m and at 31 March 2015 had increased to £200m.

## 6 Economic Cost of Providing Council Housing

The valuation at 1 April 2014 of £62m and at 31 March 2015 of £68m is lower than the vacant possession value on the open market of £181m and £200m respectively.

The difference between the vacant possession value of dwellings and the opening balance sheet value within the HRA represents the economic cost to the Council of providing council housing at less than open market rents.

The adjustment factor for the economic cost of providing Council Housing for the East Midlands of 34% has been used as noted in the Department of Communities & Local Government's Guidance on Stock Valuations.

## 7 Impairments

An impairment is a reduction in the value of a non-current asset due to revaluation, deterioration or any reduction in the carrying value of the non-current asset. During 2014-15 no impairments have been charged to the HRA. Following self financing 5 year transitional arrangements were made regarding impairments on dwellings under the item 8 credit (general) determination from April 2012, this amount can then reversed back to the Housing Revenue Account where appropriate. A revaluation loss of £12k has been charged to the HRA in the year following valuation, and as this is for a non-dwelling asset is not relevant under the transitional arrangements

## 8 Capital Expenditure:

### Financing of Capital Expenditure

2013-14 £'000		2014-15 £'000
2,011	Dwellings	2,282
0	Revenue expenditure funded from capital under statute	0
<b>2,011</b>		<b>2,282</b>
0	Borrowing	0
0	New Homes Bonus Reserve	100
0	Useable capital receipts	0
0	Capital Receipts Reserve	200
0	HRA Working Balance	0
1,152	Major Repairs Reserve	660
464	Development & Regeneration Reserve	1,039
395	Contribution from Third Party	283
<b>2,011</b>		<b>2,282</b>

### Summary of Capital Expenditure

2013-14 £'000		2014-15 £'000
216	Aids and Adaptations	128
217	Major Void Repairs	154
2	Communal Refurbishment	30
145	Replacement Heating Systems	95
169	Re-roofing	32
40	Windows and Doors replacement	20
303	New Kitchens & Bathrooms	43
273	Rewiring	32
51	New Build Projects	1,549
413	Long Term Housing Development Projects	41
109	Fire Safety & Health & Safety related Works	42
0	Refurbishment of fire damaged property	35
73	Capitalisation of salaries	81
<b>2,011</b>		<b>2,282</b>

## 9 Total Capital Receipts from Disposal of HRA Assets

The total capital receipts before pooling of capital receipts to the Department for Communities and Local Government (DCLG) is as follows:

2013-14 £'000		2014-15 £'000
372	Dwellings	466
0	Land	9
0	Discount Repaid	0
<u>372</u>		<u>475</u>

## 10 Capital Asset Charges Accounting Adjustment

The capital asset charges accounting adjustment is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination from April 2012. This is the amount debited or credited to the HRA in regard to its Capital Financing Requirement (CFR) for the year.

The table below shows the Council's adjustment in the HRA. Following Self Financing and the de-pooling of the Council's borrowing interest is charged directly on the HRA borrowing as it is incurred. Any adjustment made is due to any internal borrowing taking place.

The rate of interest on the Council's internal borrowing was agreed as a beneficial rate to both the HRA and the General Fund equitably, and equates to 2.59%.

2013-14 £'000		2014-15 £'000
31,890	CFR at 1 April	31,876
	Movement in year:	
-14	Voluntary Revenue Provision	-14
0	Repayment of borrowing 30.3.15	-378
31,876	CFR at 31 March	31,484
31,883	Mid Year CFR	31,873
N/A	Consolidated Interest Rate for Year	N/A
1,171	Interest Paid Direct on External Borrowing	1,171
1	Capital Asset Charges Accounting Adjustment/Internal Interest Paid	1

## 11 Depreciation

Depreciation is referred to in detail in note 1 (r) of the accounting policies section and in note 3 to the HRA. In 2014-15 £954k depreciation has been charged to the HRA.

## 12 HRA Reserves

### Major Repairs Reserve

2013-14 £'000		2014-15 £'000
1,085	Balance brought forward 1 April	1,647
918	Cash backed Depreciation from the HRA	954
395	Decent Homes Funding	0
-1,548	Capital Expenditure – Dwellings	-660
0	Repayment of Borrowing Principal	-378
797	Transfer from the HRA	736
<u>1,647</u>	Balance carried forward 31 March	<u>2,299</u>



## Development & Regeneration Reserve

The Development & Regeneration Reserve was set up as a result of the HRA self Financing.

2013-14 £'000		2014-15 £'000
950	Balance brought forward 1 April	1,406
920	Transfer from the HRA	2,000
<u>-464</u>	Capital Expenditure – Development & Regeneration	<u>-1,039</u>
<b><u>1,406</u></b>	<b>Balance carried forward 31 March</b>	<b><u>2,367</u></b>

## 13 Retirement Benefits

The Council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually 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. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the HRA balance during the year:

Income & Expenditure Account	2013-14 £'000	2014-15 £'000
Service Cost:		
Current Service Cost	58	65
Net Interest:		
Interest Cost on defined benefit obligation	121	119
Interest Income on plan assets	<u>-76</u>	<u>-69</u>
<b>Total Defined Benefit Cost Recognised in Income &amp; Expenditure Account</b>	<b>103</b>	<b>115</b>
Statement of Movement in the HRA Balance:		
Reversal of Net Charges made for retirement benefits In accordance with IAS 19	-103	-115
Actual amount charged against the HRA for the pensions In the year:		
Employers Contributions Payable to Scheme	58	58

## 14 Rent Arrears

At 31 March 2015 rent arrears (including ancillary services) as a proportion of gross rent debit were 6.5% (31 March 2014 – 7.3%). The arrears figures excluding amounts collectable on behalf of other agencies are as follows:-

2013-14 £'000		2014-15 £'000
	<u>Arrears at 31 March:</u>	
348	Current Tenants	324
<u>185</u>	Former Tenants	<u>183</u>
<b><u>533</u></b>		<b><u>507</u></b>

At 31 March 2015, the total arrears (including amounts collectable on behalf of other agencies) are £545k (31 March 2014 £576k which was the basis of the disclosure in the 2013-14 financial statements).

**15 Doubtful Debts Provision of Uncollectable Debts**

<b>2013-14</b>		<b>2014-15</b>	
<b>£'000</b>		<b>£'000</b>	
361	Housing Rents, Fees and Charges	350	
<u>44</u>	Sundry Receivables	<u>42</u>	
<b><u>405</u></b>		<b><u>392</u></b>	

During the year £76k (2013-14 £19k) was written off against the provision for doubtful debts.

**16 Transfers to the General Fund**

Since 1 April 2004, the administration of rent rebate is now classified as expenditure under the general fund and is controlled by the Department for Work & Pensions along with other benefit payments. The HRA must compensate the general fund on an on-going basis for rent rebate subsidy losses due to increasing rents above Government Guidelines. During 2014-15 there was no transfer from the HRA to the General Fund on this basis and nor was there in 2013-14.

## COLLECTION FUND STATEMENT

The Collection Fund is an Agents statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-domestic rates.

2013/14	2013/14	2013/14		2014/15	2014/15	2014/15
Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>Amounts Required by statute to be credited to the Collection Fund:</b>						
26,335		26,335	Council Tax	26,848		26,848
-52		-52	Transfers from the General Fund - Council Tax Benefits	-26		-26
	12,674	12,674	Non-domestic rates		13,105	13,105
	59	59	Transitional protection payments - non-domestic rates		0	0
201		201	Contribution towards previous year's collection fund deficit	24	284	308
<b>Amounts Required by statute to be debited to the Collection Fund:</b>						
Precepts & demands from major preceptors - Council Tax:						
18,599		18,599	Leicestershire County Council	18,823		18,823
3,069		3,069	Melton Borough Council	3,138		3,138
3,042		3,042	Police & Crime Commissioner for Leicestershire	3,125		3,125
1,021		1,021	Combined Fire Authority	1,049		1,049
489		489	Parish Councils	527		527
Shares of Non-domestic rating income to major preceptors:						
	1,153	1,153	Leicestershire County Council		1,115	1,115
	5,124	5,124	Melton Borough Council		4,956	4,956
	128	128	Combined Fire Authority		124	124
	6,406	6,406	Payment with respect to central share		6,195	6,195
	0	0	Transitional protection payments receivable		11	11
Impairments of Debts/appeals:						
33	37	70	Write-offs or uncollectable amounts	161	74	235
54	459	513	Allowance for impairment	18	164	182
	62	62	Charge to General Fund for allowable collection costs for non-domestic rates		61	61
	0	0	Other transfers to collection fund in accordance with non-domestic rates regulations		0	0
-177	636	459	<b>Movement on Fund Balance</b>	-5	-689	-694
236	0	236	<b>Opening Fund Balance</b>	59	636	695
59	636	695	<b>Closing Fund Balance</b>	54	-53	1

## Bad Debt Provision – Summary (Memorandum)

	Balance 31 March 2014 £'000	Write-offs £'000	Increased Provision £'000	Reduced Provision £'000	Balance 31 March 2015 £'000
Business Rates	161	-74	85	0	172
Council Tax	204	-161	179	0	222
	<u>365</u>	<u>-235</u>	<u>264</u>	<u>0</u>	<u>394</u>

## NOTES TO COLLECTION FUND STATEMENT

### 1 Council Tax Base

<u>Band</u>	<u>Range of Values</u>	Number of Properties (Valuation List March 2015)	Council Tax Base Band D Equivalents*
A*	Adapted for disabled use	0	3
A	Up to £40,000	3,536	1,556
B	Over £40,000 and up to £52,000	7,015	4,230
C	Over £52,000 and up to £68,000	3,743	2,815
D	Over £68,000 and up to £88,000	3,450	3,075
E	Over £88,000 and up to £120,000	2,319	2,598
F	Over £120,000 and up to £160,000	1,379	1,842
G	Over £160,000 and up to £320,000	931	1,421
H	Over £320,000	90	167
<b>Total</b>		<u>22,463</u>	<u>17,707</u>

\* Used for the purpose of setting the Council Tax for 2014-15

### 2 Non Domestic Rates

Non Domestic Rateable Value at 31 March 2015	£33,786,358
Rate Multiplier for 2014-15 – up to and including £18,000	47.1
– £18,001 and over	48.2

### 3 Collection Fund Arrears

2013-14 £'000	£'000		2014-15 £'000	£'000
809		Business Ratepayers	766	
-161		Provision for Bad Debts	-172	
	648			594
<u>2,355</u>		Council Taxpayers	2,500	
-204		Provision for Bad Debts	-222	
	2,151			2,278
	<u>2,799</u>			<u>2,872</u>

### 4 Collection Rate

The collection rate for accounts raised in 2014-15 was 99.1% (2013-14 99.1%).

## **GLOSSARY OF FINANCIAL TERMS**

This section explains the technical terms that have been used throughout this document.

### **Accumulated Absences Account**

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

### **Accruals**

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

### **Actuarial Gains and Losses**

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

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

### **Actuary**

An expert on rates of death and insurance statistics, who assesses whether our pension fund is adequate.

### **Amortisation**

A reduction in the value of an intangible asset over time, due to wear and tear.

### **Balance Sheet**

A statement of all our assets, liabilities and balances at the end of the financial year.

### **Business Rates Retention Scheme**

Whereby the Council retains a proportion of the business rates it collects, allowing an incentive to Council's to encourage growth.

### **Capital Adjustment Account**

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

### **Capital Expenditure**

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

### **Capital Receipt**

Income from selling assets that have a long-term value and may be used to repay loan debt or to finance new capital expenditure.

### **Cash Equivalents**

These 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.

### **Cash-Flow Statement**

This is a statement which shows the changes in our cash and bank balances since we prepared the previous year's accounts. It also shows the changes in our other assets, liabilities and other accounts in our balance sheet.

### **Collection Fund**

A fund we use to show what happens to council tax and business rate retention scheme income.

### **Collection Fund Adjustment Account**

This account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

**Community Assets**

Assets we do not plan to sell and which have no definite useful life. Examples of community assets are parks and historic buildings which do not qualify as heritage assets.

**Comprehensive Income and Expenditure Statement**

The account which reports the income and spending on our services.

**Contingency**

A condition which 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.

**Contingent Asset**

Money that may be owed to us, but we cannot be certain of the exact amount.

**Contingent Liability**

Money that we may owe, but we cannot be certain of the exact amount.

**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 Assets**

These are the short-term assets we have at the date of our Balance Sheet, which we can use in the following year.

**Current Liabilities**

These are the short-term liabilities we owe at the date of our Balance Sheet, which we will pay in the following year.

**Current Service Cost (Pensions)**

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

**Curtailement**

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:

- a) termination of employees' services earlier than expected, e.g. as a result of discontinuing a service.
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits..

**Deferred Contributions**

Amounts paid to us for future activities.

**Defined Benefit Scheme**

A pension or other 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).

**De Minimus**

This term relates to items not recognised on the Balance Sheet in accordance with the concept of materiality.

**Depreciation**

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

**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.

**Earmarked Reserves**

Money we set aside for a specific purpose.

**Expected Rate of Return on Pension Assets**

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

**Fair Value**

This is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Financial Instruments**

These can be defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Instruments Adjustment Account**

This account absorbs the timing differences arising from different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

**General Fund**

This is the main revenue fund of the Council. Precept income, NNDR income and government grants are paid into the fund, from which the cost of providing services is met.

**Gross Spending**

The total cost of providing a service.

**Heritage Assets**

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Impairment**

A loss in the value of a non-current asset, arising from physical damage such as a major fire or a significant reduction in market value.

**Infrastructure Assets**

These are assets that only have a nominal value as we cannot sell them, e.g. roads, bridges, lighting, etc.

**Intangible Asset**

Non-current assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights (e.g. purchased software licences).

**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.

**Investment Properties**

Interest in land/or buildings:-

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

**IFRS (International Financial Reporting Standards)**

These are accounting standards adopted by the European Union and the basis on which these accounts are prepared.

**Leasing**

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc.

There are two forms of lease:

- a) a finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.
- b) an operating lease involves the payment of a rental by a lessee for a period, which is normally less than the useful economic life of the asset.

**LGPS (Local Government Pension Scheme)**

This is the fund that pays and manages the pensions of our staff.

**Liabilities**

These are our debts and responsibilities.

**Long Term Borrowing**

This relates to loans raised to finance capital spending which have still to be repaid.

**Minimum Revenue Provision (MRP)**

This is the amount we have to set aside, out of our revenue, to repay loans.

**Movement in Reserves Statement**

A reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.

**National Non-Domestic Rates (NNDR)**

This is a charge, which all businesses must pay for their premises. It is worked out by multiplying a property's rateable value by a nationally set multiplier. National Non-Domestic Rates are now partially retained by the Council under the new business rates retention scheme.

**Net Book Value**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the 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.

**Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Net Spending**

The cost of providing a service after we have taken into account income from government grants and fees and charges.

**Nominal Value**

Where an asset cannot be sold, it is given a very low value in the Balance Sheet to recognise that it has no resale value.

**Non-Current Assets**

Property, plant and equipment assets which are carried on the Balance Sheet.

**Non-Distributed Costs**

We must make an extra payment to Leicestershire County Council to maintain the value of the pension fund. Under the accounting rules, we do not get this cost back from our services.

**Non-Operational Assets**

Assets held by the Authority but not directly used for the provision of services, e.g. assets surplus to requirements, commercial properties and assets under construction.

**Operational Assets**

Assets that we use in our day-to-day activities for delivering our services to the public, e.g. the Council offices.

**Parish Council**

An organisation delivering some services within the parish boundary, rather than across the borough as a whole.



**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.

**Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is authorised, by the responsible financial officer, for issue.

**Payables**

Money we owe for work, goods or services, which have not been paid for by the end of the financial year.

**Precept**

A demand made by Leicestershire County Council, Leicestershire Police Authority, Leicestershire Combined Fire and Rescue Authority and Parish Councils for money they want us to collect for them from the Council Tax.

**Prior Year Adjustment**

If we make an important change to the accounts for earlier years we call this a 'prior year adjustment'. We must show the reasons for any prior year adjustments in the year we make them.

**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:

- a) the benefits for pensioners and deferred pensioners (i.e. 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
- b) 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.

**Provision**

An amount set aside for any liabilities or losses of uncertain timing or amounts that have been incurred.

**Public Works Loan Board (PWLB)**

A government body from which local authorities may raise long term loans, usually at advantageous interest rates.

**Receivables**

Money that is owed to us, but it is not paid by the end of the financial year.

**Recharge**

The transfer of costs from one service to another.

**Reserve**

An amount set aside for purposes falling outside the definition of a provision.

**Restated**

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figure to meet the current rules.

**Revaluation Reserve**

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment.

**Revenue Expenditure**

Expenditure that the Council incurs on the day to day running costs of its services including salaries, running expenses of premises and vehicles as well as the annual payment of depreciation. The expenditure is financed from charges for services, government grants and income from council tax and the business rates retention scheme.

**Revenue Expenditure Funded from Capital under Statute**

Spending on assets that have a lasting value which we do not own e.g. grants to the community.

**Revenue Funding of Capital Expenditure**

The financing of capital expenditure by a direct contribution from the revenue budget.

**Revenue Support Grant**

The main grant received by the Council from Central Government incorporating a number of non-specific grants. The calculation for our funding baseline includes the figures within the business rates retention scheme.

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

**Specific Grants**

Grants paid by the government for a particular service e.g. Warm Homes Grant and Disabled Facilities Grant.

**Surplus**

At the end of the year, if an account such as the Comprehensive Income & Expenditure Statement shows that we have received more income than we have spent, that account is known as being 'in surplus'.

**Tangible Assets**

Assets we plan to own or use for more than one year.

**Tax base**

The number of houses that we can charge our Council Tax on.

**Termination Benefits**

These are 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. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the Council.

**The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom, which defines proper accounting practices for local authorities in the UK.

**Trading Undertakings**

Part of our activities where the service could also be provided by others outside the Council.

**Useful Life**

The period over which the Council will derive benefits from the use of a non current asset.

**Independent Auditor's Report to the Members of Melton Borough Council**

