



**STATEMENT OF ACCOUNTS  
2015/16**

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## **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)

20 September 2016

## 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 2016, and its income and expenditure for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016.

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

Date: 31 May 2016

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

Date: 20 September 2016

### **APPROVAL BY THE COUNCIL**

At its meeting on the 12th of July 2016 the Policy, Finance and Administration Committee resolved that the Statement of Accounts for 2015-16 subject to audit be approved. The audited Statement of Accounts was approved at a meeting of the Governance Committee held on the 20th of September 2016.

.....  
Councillor PM Chandler  
Chair

Date: 20 September 2016

## 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<br>Balance<br>£'000 | Earmarked General<br>Fund Reserves<br>£'000 | HRA Balance<br>£'000 | Earmarked<br>HRA reserve<br>£'000 | Capital Receipts<br>Reserve<br>£'000 | Major Repairs<br>Reserve<br>£'000 | Capital Grants<br>Unapplied<br>£'000 | Total Usable<br>Reserves<br>£'000 | Unusable Reserves<br>£'000 | Total Reserves<br>£'000 |
|--|----------------------------------|---|----------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|----------------------------|-------------------------|
| <b>Balance at 1 April 2014</b>   | 873                              | 3,450                                       | 1,333                | 1,406                             | 6,823                                | 1,647                             | 0                                    | 15,532                            | 32,932                     | 48,464                  |
| <b>Movement in Reserves during 2014-15</b>                                     |                                  |   |                      |                                   |                                      |                                   |                                      |                                   |                            |                         |
| Surplus/deficit (-) 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>           |

|   | General Fund<br>Balance | Earmarked General<br>Fund Reserves | HRA Balance  | Earmarked<br>HRA<br>Reserve | Capital Receipts<br>Reserve | Major Repairs<br>Reserve | Capital Grants<br>Unapplied | Total Usable<br>Reserves | Unusable Reserves | Total Reserves |
|---|-------------------------|------------------------------------|--------------|-----------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|-------------------|----------------|
|   | £'000                   | £'000                              | £'000        | £'000                       | £'000                       | £'000                    | £'000                       | £'000                    | £'000             | £'000          |
| <b>Balance at 1 April 2015<br/>B/fwd</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>  |
| <b>Movement in Reserves<br/>during 2015-16</b>  |                         |                                    |              |                             |                             |                          |                             |                          |                   |                |
| Deficit (-)/ surplus on<br>provision of services  | -1,759                  | 0                                  | 3,137        | 0                           | 0                           | 0                        | 0                           | 1,378                    | 0                 | 1,378          |
| Other Comprehensive<br>Income & Expenditure   | 0                       | 0                                  | 0            | 0                           | 0                           | 0                        | 0                           | 0                        | 12,121            | 12,121         |
| <b>Total Comprehensive<br/>Income &amp; Expenditure</b>                                 | <b>-1,759</b>           | <b>0</b>                           | <b>3,137</b> | <b>0</b>                    | <b>0</b>                    | <b>0</b>                 | <b>0</b>                    | <b>1,378</b>             | <b>12,121</b>     | <b>13,499</b>  |
| Adjustments between<br>accounting basis &<br>funding basis under<br>regulation (note 4) | 2,056                   | 0                                  | -1,574       | 0                           | -239                        | 81                       | 0                           | 324                      | -324              | 0              |
| <b>Net Increase/decrease<br/>(-) before t/f to<br/>earmarked reserves</b>               | <b>297</b>              | <b>0</b>                           | <b>1,563</b> | <b>0</b>                    | <b>-239</b>                 | <b>81</b>                | <b>0</b>                    | <b>1,702</b>             | <b>11,797</b>     | <b>13,499</b>  |
| Transfers to earmarked<br>reserves (note 5)   | -477                    | 477                                | -1,224       | 1,224                       | 0                           | 0                        | 0                           | 0                        | 0                 | 0              |
| <b>Increase/Decrease (-)<br/>in Year</b>  | <b>-180</b>             | <b>477</b>                         | <b>339</b>   | <b>1,224</b>                | <b>-239</b>                 | <b>81</b>                | <b>0</b>                    | <b>1,702</b>             | <b>11,797</b>     | <b>13,499</b>  |
| <b>Balance at 31 March<br/>2016 Carried Forward</b>                                     | <b>684</b>              | <b>4,693</b>                       | <b>1,459</b> | <b>3,591</b>                | <b>6,117</b>                | <b>2,380</b>             | <b>0</b>                    | <b>18,924</b>            | <b>49,052</b>     | <b>67,976</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 2016

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.

| 2014-15                    |                       |                          |  | 2015-16 |                            |                       |                          |
|----------------------------|-----------------------|--------------------------|--|---------|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |  | Note    | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 1,450                      | 898                   | 552                      | Central Services to the public   |         | 1,823                      | 1,041                 | 782                      |
| 2,458                      | 1,144                 | 1,314                    | Cultural and related services  |         | 2,442                      | 837                   | 1,605                    |
| 4,113                      | 1,287                 | 2,826                    | Environmental & Regulatory Services  |         | 4,066                      | 991                   | 3,075                    |
| 1,325                      | 834                   | 491                      | Planning Services  |         | 1,340                      | 836                   | 504                      |
| 893                        | 710                   | 183                      | Education & Children's services  |         | 815                        | 675                   | 140                      |
| 364                        | 601                   | -237                     | Highways & transport services  |         | 397                        | 593                   | -196                     |
| 4,248                      | 7,932                 | -3,684                   | Local Authority housing (HRA)  |         | 4,977                      | 8,114                 | -3,137                   |
| 11,062                     | 9,990                 | 1,072                    | Other Housing services   |         | 9,888                      | 9,781                 | 107                      |
| 746                        | 0                     | 746                      | Corporate & democratic core  |         | 791                        | 0                     | 791                      |
| -11                        | 0                     | -11                      | Non-Distributed Costs  |         | -22                        | 0                     | -22                      |
| -18                        | 0                     | -18                      | Exceptional Item - Imbalance   |         | 0                          | 0                     | 0                        |
| <b>26,630</b>              | <b>23,396</b>         | <b>3,234</b>             | <b>Cost of Services</b>  |         | <b>26,517</b>              | <b>22,868</b>         | <b>3,649</b>             |
|                            |                       | 661                      | Other Operating Expenditure  | 6       |                            |                       | 626                      |
|                            |                       | 1,644                    | Financing & Investment Income & Expenditure                                | 7       |                            |                       | 1,627                    |
|                            |                       | -7,589                   | Taxation & Non-specific grant income                                       | 8       |                            |                       | -7,280                   |
|                            |                       | <b>-2,050</b>            | <b>Deficit/ surplus (-) on Provision of Services</b>                       |         |                            |                       | <b>-1,378</b>            |
|                            |                       | -7,115                   | Surplus (-) on revaluation of property, plant and equipment assets         |         |                            |                       | -5,168                   |
|                            |                       | 0                        | Impairment losses on non-current assets charged to the revaluation reserve |         |                            |                       | 0                        |
|                            |                       | 0                        | Surplus/deficit on revaluation of available for sale financial assets      |         |                            |                       | 0                        |
|                            |                       | 3,152                    | Re-measurement of the net defined benefit liability                        |         |                            |                       | -6,953                   |
|                            |                       | <b>-3,963</b>            | <b>Other Comprehensive Income &amp; Expenditure</b>                        |         |                            |                       | <b>-12,121</b>           |
|                            |                       | <b>-6,013</b>            | <b>Total Comprehensive Income &amp; Expenditure</b>                        |         |                            |                       | <b>-13,499</b>           |

## BALANCE SHEET

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

| <b>31 March 2015</b> |                                    | <b>Notes</b> | <b>31 March 2016</b> |
|----------------------|------------------------------------|--------------|----------------------|
| <b>£'000</b>         |                                    |              | <b>£'000</b>         |
| 89,783               | Property Plant & Equipment         | 9            | 95,223               |
| 1,300                | Investment Property                | 11           | 1,353                |
| 403                  | Intangible Assets                  | 12           | 485                  |
| 684                  | Long Term Receivables              | 13           | 720                  |
| <b>92,170</b>        | <b>Long Term Assets</b>            |              | <b>97,781</b>        |
| 128                  | Assets Held for Sale               | 16           | 316                  |
| 5,136                | Short Term Receivables             | 14           | 4,512                |
| 16,662               | Cash and Cash Equivalents          | 15           | 17,454               |
| <b>21,926</b>        | <b>Current Assets</b>              |              | <b>22,282</b>        |
| 218                  | Provisions                         | 18           | 376                  |
| 4,119                | Short Term Payables                | 17           | 2,704                |
| <b>4,337</b>         | <b>Current Liabilities</b>         |              | <b>3,080</b>         |
| 31,534               | Long Term Borrowing                | 13           | 31,534               |
| 23,315               | Other Long Term Liabilities        | 13/37        | 17,171               |
| 72                   | Capital Grants Receipts in Advance | 31           | 32                   |
| 361                  | Revenue Grants Receipts in Advance | 31           | 270                  |
| <b>55,282</b>        | <b>Long Term Liabilities</b>       |              | <b>49,007</b>        |
| <b>54,477</b>        | <b>NET ASSETS</b>                  |              | <b>67,976</b>        |
| 17,222               | Usable Reserves                    | 4/19         | 18,924               |
| 37,255               | Unusable Reserves                  | 20           | 49,052               |
| <b>54,477</b>        | <b>TOTAL RESERVES</b>              |              | <b>67,976</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>2014-15</b> |  | <b>Note</b> | <b>2015-16</b> |
|----------------|--|-------------|----------------|
| <b>£'000</b>   |  |             | <b>£'000</b>   |
| 2,050          | Net deficit(-)/surplus on the provision of services  |             | 1,378          |
| 2,343          | Adjustments to the net deficit(-)/surplus on the provision for services for non cash movements   | 21          | 2,911          |
| 42             | Adjustments for items included in the net deficit (-)/surplus on the provision of services that are investing and financing activities | 21          | -1,687         |
| 4,435          | Net cash flows from Operating Activities   |             | 2,602          |
| -2,252         | Investing Activities   | 22          | -1,759         |
| -448           | Financing Activities   | 23          | -51            |
| 1,735          | Net increase or decrease (-) in cash and cash equivalents  |             | 792            |
| 14,927         | Cash and cash equivalents at the beginning of the reporting period   |             | 16,662         |
| <b>16,662</b>  | <b>Cash and cash equivalents at the end of the reporting period</b>  | 15          | <b>17,454</b>  |



# 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 2015-16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which, those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 and the Service Reporting Code of Practice 2015-16, supported by International Financial Reporting Standards (IFRS).

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 and 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 in exchange for those benefits 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 3.5% (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)** – i.e. 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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 fair 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.

#### **n) Inventories and Long Term Contracts**

Purchasing stocks have been completely recharged to services in 2015-16.

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are valued at highest and best use. 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.

#### **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 2015-16 (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 current value. The difference between current 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 –current value, determined using the basis of existing use value for social housing (EUV-SH)
- (iii) All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), with the valuer using nominal values for some community assets.

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 – straight line allocation over the useful life of the asset, as advised by a suitably qualified valuer (see table below).
- (iii) Infrastructure – straight line allocation over the useful life of the asset as estimated by the valuer.

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. Non-operational, operational, communal and play area assets are also included in the valuation and are depreciated over useful lives of between 12 and 43 years. |
| <u>Other Land and Buildings</u>                |                    |  |
| Waterfield Leisure Centre                      | Yes                | Depreciation charge based on estimated useful life of 18 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 39 years.  |
| Parkside                                       | Yes                | Depreciation charge based on estimated useful life of 46 years   |
| Cattle Market                                  | Yes                | Depreciation charge based on estimated useful life of 12 years.  |
| Children's Centres                             | Yes                | Depreciation charge based on estimated useful lives of 41 years.   |
| Public Conveniences                            | Yes                | Depreciation charge based on estimated useful lives of 18-25 years.  |
| Melton Sports Village                          | Yes                | Depreciation charge based on estimated useful life of 15 years.  |
| Other Assets                                   | Yes                | Depreciation charge based on estimated useful lives of 23-40 years.  |
| <u>Vehicles, Plant Furniture and Equipment</u> | Yes                | Depreciation provided on basis of estimated useful life of between 1-30 years.   |
| <u>Community Assets</u>                        | No                 | Assets in this category consist mainly of non depreciable land   |
| <u>Infrastructure Assets</u>                   |                    |  |
| Land   | No                 | Assets in this category consist mainly of non-depreciable land.  |
| Cemetery – Land Drainage                       | Yes                | Depreciation charge based on estimated useful life of 60 years   |
| Bus Shelters                                   | Yes                | Depreciation provided on basis of estimated useful life of 9 years.  |

|                                  |    |  |
|----------------------------------|----|--|
| <u>Investment Assets</u>         |    |  |
| Industrial Estates               | No |  |
| Cemetery Lodge                   | No |  |
| <u>Surplus Assets</u>            | No | Assets held in this category are outside the scope for depreciation in accordance with the Code. |
| <u>Assets Under Construction</u> | No | Assets held in this category are not yet available for use.                                      |
| <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).

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) **Melton Local Development Framework** – amounts are set aside from the Local Plans Revenue Budget to fund uneven patterns of spending on the Melton Local Plan.
- (v) **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.
- (vi) **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.
- (vii) **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.
- (viii) **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.
- (ix) **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.

- (x) **Capital Receipts Reserve** – income received from the sale of assets and may be used to repay loan debt or to finance new capital expenditure.
- (xi) **Capital Contributions Unapplied** – this represents amounts received from third parties for the financing of capital expenditure but not yet applied.
- (xii) **Major Repairs Reserve** – this represents amounts set aside as depreciation from the HRA to finance capital expenditure to alleviate housing repairs problems.
- (xiii) **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.
- (xiv) **Pensions Reserve** – reflects the net assets/liabilities of the Pension Fund.
- (xv) **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.
- (xvi) **Waterfield Leisure Centre Reserves – 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.
- (xvii) **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.
- (xviii) **Car Parking Machine reserve** – Repairs & Renewals - amounts set aside from the general fund to meet the cost of replacing the car park machines in 2018.
- (xix) **Open Spaces Special Expenses** – Repairs & Renewals – amounts are set aside from revenue to meet repairs or replacement of the play equipment within the Special Expense area of Melton Mowbray.
- (xx) **Waste Consultancy** – Procurement consultancy support and legal support to ensure that the new contract is suitable and fit for purpose.
- (xxi) **Supporting Leicestershire Families** – Contribution towards the Supporting Leicestershire Families service until March 2019.
- (xxii) **S106 Projects** – Funds received from developers contributing towards various schemes.

**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.

### 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, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the Council's balance sheet at 31 March 2016 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.<br><br>It is estimated that the annual depreciation charge for other land and buildings on the General Fund would increase by £22k 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 £4.3m.   |
| Arrears                     | At 31 March 2016 the Council had a balance of sundry Receivables of £1,300k. A review of significant balances suggested that an impairment of doubtful debts of 18.89% (£245k) 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 £35k increase in the allowance for the impairment of doubtful debts.  |

|                                |  |  |
|--------------------------------|--|--|
| <p>Fair Value Measurements</p> | <p>When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (ie level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's valuer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining fair value of the Council's assets and liabilities is disclosed in notes 11 and 13 below.</p> | <p>The Council used the discounted cash flow (DCF) model to measure the fair value of some of its fixed term deposits and PWLB loans.</p> <p>The significant observable inputs used in the fair value measurement include discount rate.</p> |
|--------------------------------|--|--|

#### 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.

2015/16

### Usable Reserves

|   | General<br>Fund<br>balance<br>£'000 | HRA<br>£'000  | Capital<br>Receipts<br>Reserve<br>£'000 | Major<br>Repairs<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>£'000 |
|---|-------------------------------------|---------------|---|--------------------------------------|---|
| <b><u>Adjustments to Revenue Resources</u></b>  |                                     |               |   |                                      |   |
| Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements |                                     |               |   |                                      |   |
| - Pensions costs (transferred to/from the Pensions Reserve)   | 863                                 | 23            | 0                                       | 0                                    | 0                                       |
| - Financial Instruments (transferred to the Financial Instruments Account)  | 0                                   | 0             | 0                                       | 0                                    | 0                                       |
| - Council Tax & NDR (transfers to/from the Collection Fund)   | 117                                 | 0             | 0                                       | 0                                    | 0                                       |
| - Holiday Pay (transferred to the Accumulated Absence Reserve)  | -29                                 | 4             | 0                                       | 0                                    | 0                                       |
| - Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Non-Current Assets (Charged to the Capital Adjustment Account)                               | 358                                 | 1,984         | 0                                       | 0                                    | 0                                       |
| Miscellaneous adjustments between funds   | 1,269                               | -1,269        | 0                                       | 0                                    | 0                                       |
| <b>Total Adjustments to Revenue Resources</b>   | <b>2,578</b>                        | <b>742</b>    | <b>0</b>                                | <b>0</b>                             | <b>0</b>                                |
| <b><u>Adjustments between Revenue &amp; Capital Resources</u></b>   |                                     |               |   |                                      |   |
| Transfer of Non-Current Asset sale proceeds from revenue to the Capital Receipts Reserve  | -279                                | -940          | 1,219                                   | 0                                    | 0                                       |
| Administrative costs of Non-Current Asset disposals (funded by a contribution to the Capital Receipts Reserve)  | 0                                   | 25            | -25                                     | 0                                    | 0                                       |
| Payment to the Government's Housing Receipts pool (funded by a contribution to the Capital Receipts Reserve)  | 0                                   | 154           | -154                                    | 0                                    | 0                                       |
| Posting of HRA resources from revenue to the Major Repairs Reserve  | 0                                   | -1,506        | 0                                       | 1,506                                | 0                                       |
| Repayment of debt (transfer from the Capital Adjustment Account)  | 0                                   | 0             | 0                                       | 0                                    | 0                                       |
| Revenue Expenditure funded from capital under statute   | 502                                 | 0             | 0                                       | 0                                    | 0                                       |
| Transactions in relation to deferred capital receipts & liabilities   | -39                                 | 0             | 0                                       | 0                                    | 0                                       |
| Use of Earmarked Reserves to finance capital expenditure  | 0                                   | -49           | 0                                       | 0                                    | 0                                       |
| Capital Expenditure financed from revenue balances (transfer to the Capital Adjustment Account)   | -212                                | 0             | 0                                       | 0                                    | 0                                       |
| <b>Total Adjustments between Revenue &amp; Capital Resources</b>  | <b>-28</b>                          | <b>-2,316</b> | <b>1,040</b>                            | <b>1,506</b>                         | <b>0</b>                                |
| <b><u>Adjustments to Capital Resources</u></b>  |                                     |               |   |                                      |   |
| Use of Capital Receipts Reserve to finance capital expenditure  | 0                                   | 0             | -1,279                                  | 0                                    | 0                                       |
| Use of the Major Repairs Reserve to finance capital expenditure   | 0                                   | 0             | 0                                       | -1,425                               | 0                                       |
| Application of capital grants to finance capital expenditure  | -494                                | 0             | 0                                       | 0                                    | 0                                       |
| <b>Total Adjustments to Capital Resources</b>   | <b>-494</b>                         | <b>0</b>      | <b>-1,279</b>                           | <b>-1,425</b>                        | <b>0</b>                                |
| <b>Total Adjustments</b>  | <b>2,056</b>                        | <b>-1,574</b> | <b>-239</b>                             | <b>81</b>                            | <b>0</b>                                |



## 2014/15 Comparative Figures

## Usable Reserves

|   | General Fund<br>balance<br>£'000 | HRA<br>£'000  | Capital<br>Receipts<br>Reserve<br>£'000 | Major<br>Repairs<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>£'000 |
|---|----------------------------------|---------------|---|--------------------------------------|---|
| <b><u>Adjustments to Revenue Resources</u></b>  |                                  |               |   |                                      |   |
| Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements |                                  |               |   |                                      |   |
| - Pensions costs (transferred to/from the Pensions Reserve)   | 751                              | 7             | 0                                       | 0                                    | 0                                       |
| - Financial Instruments (transferred to the Financial Instruments Account)  | 0                                | 0             | 0                                       | 0                                    | 0                                       |
| - Council Tax & NDR (transfers to/from the Collection Fund)   | -277                             | 0             | 0                                       | 0                                    | 0                                       |
| - Holiday Pay (transferred to the Accumulated Absence Reserve)  | -33                              | -16           | 0                                       | 0                                    | 0                                       |
| - Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Non-Current Assets (Charged to the Capital Adjustment Account)                               | 1,160                            | 1,355         | 0                                       | 0                                    | 0                                       |
| Miscellaneous adjustments between funds   | 1,271                            | -1,271        | 0                                       | 0                                    | 0                                       |
| <b>Total Adjustments to Revenue Resources</b>   | <b>2,872</b>                     | <b>75</b>     | <b>0</b>                                | <b>0</b>                             | <b>0</b>                                |
| <b><u>Adjustments between Revenue &amp; Capital Resources</u></b>   |                                  |               |   |                                      |   |
| Transfer of Non-Current Asset sale proceeds from revenue to the Capital Receipts Reserve  | -75                              | -416          | 491                                     | 0                                    | 0                                       |
| Administrative costs of Non-Current Asset disposals (funded by a contribution to the Capital Receipts Reserve)  | 0                                | 13            | -13                                     | 0                                    | 0                                       |
| Payment to the Government's Housing Receipts pool (funded by a contribution to the Capital Receipts Reserve)  | 0                                | 134           | -134                                    | 0                                    | 0                                       |
| Posting of HRA resources from revenue to the Major Repairs Reserve  | 0                                | -1,690        | 0                                       | 1,690                                | 0                                       |
| Repayment of debt (transfer from the Capital Adjustment Account)  | 0                                | 378           | 0                                       | -378                                 | 0                                       |
| Revenue Expenditure funded from capital under statute   | 327                              | 0             | 0                                       | 0                                    | 0                                       |
| Transactions in relation to deferred capital receipts & liabilities   | -39                              | 0             | 0                                       | 0                                    | 0                                       |
| Use of Earmarked Reserves to finance capital expenditure  | -100                             | -1,039        | 0                                       | 0                                    | 0                                       |
| Capital Expenditure financed from revenue balances (transfer to the Capital Adjustment Account)   | -59                              | -391          | 0                                       | 0                                    | 0                                       |
| <b>Total Adjustments between Revenue &amp; Capital Resources</b>  | <b>54</b>                        | <b>-3,011</b> | <b>344</b>                              | <b>1,312</b>                         | <b>0</b>                                |
| <b><u>Adjustments to Capital Resources</u></b>  |                                  |               |   |                                      |   |
| Use of Capital Receipts Reserve to finance capital expenditure  | -3                               | 0             | -811                                    | 0                                    | 0                                       |
| Use of the Major Repairs Reserve to finance capital expenditure   | 0                                | 0             | 0                                       | -660                                 | 0                                       |
| Application of capital grants to finance capital expenditure  | -532                             | 0             | 0                                       | 0                                    | 0                                       |
| <b>Total Adjustments to Capital Resources</b>   | <b>-535</b>                      | <b>0</b>      | <b>-811</b>                             | <b>-660</b>                          | <b>0</b>                                |
| <b>Total Adjustments</b>  | <b>2,391</b>                     | <b>-2,936</b> | <b>-467</b>                             | <b>652</b>                           | <b>0</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 2015-16.

|   | FUND BALANCES                       |   |                    |       |       |       |             |                               |                                |       |       |       |       |       |       | GENERAL RESERVES             |         |       |                                |
|---|-------------------------------------|---|--------------------|-------|-------|-------|-------------|-------------------------------|--------------------------------|-------|-------|-------|-------|-------|-------|------------------------------|---------|-------|--------------------------------|
|   | Council Property Repairs & Renewals | Vehicles & Equipment Repairs & Renewals | Parochial Property | PDG   | HPDG  | MLDF  | Open Spaces | Registrars Furniture Renewals | HRA Development & Regeneration | NHB   | BRR   | Waste | SLF   | WLC   | Total | General Reserve              |         |       | Total Fund Balances & Reserves |
|   | £'000                               | £'000                                   | £'000              | £'000 | £'000 | £'000 | £'000       | £'000                         | £'000                          | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Corporate Priorities Reserve | Special | Total |                                |
| <b>Balance: 1 April 2014</b>            | 133                                 | 332                                     | 1                  | 1     | 144   | 249   | 0           | 5                             | 1,406                          | 310   | 255   | 0     | 0     | 50    | 2,886 | 1,591                        | 379     | 1,970 | 4,856                          |
| <b>TRANSFERS IN</b>                     |                                     |   |                    |       |       |       |             |                               |                                |       |       |       |       |       |       |                              |         |       |                                |
| Revenue Contributions: Service Accounts | 61                                  | 156                                     | 0                  | 0     | 0     | 31    | 0           | 1                             | 2,250                          | 273   | 0     | 0     | 0     | 133   | 2,905 | 412                          | 45      | 457   | 3,362                          |
| <b>TRANSFERS OUT</b>                    |                                     |   |                    |       |       |       |             |                               |                                |       |       |       |       |       |       |                              |         |       |                                |
| Capital Expenditure                     | 0                                   | -4                                      | 0                  | 0     | 0     | 0     | 0           | 0                             | 1,289                          | 100   | 0     | 0     | 0     | 0     | 1,385 | 0                            | 50      | 50    | 1,435                          |
| Revenue                                 | 0                                   | 5                                       | 0                  | 0     | 0     | 0     | 0           | 0                             | 0                              | 69    | 126   | 0     | 0     | 0     | 200   | 0                            | 0       | 0     | 200                            |
| <b>Balance: 31 March 2015</b>           | 194                                 | 487                                     | 1                  | 1     | 144   | 280   | 0           | 6                             | 2,367                          | 414   | 129   | 0     | 0     | 183   | 4,206 | 2,003                        | 374     | 2,377 | 6,583                          |
| <b>TRANSFERS IN</b>                     |                                     |   |                    |       |       |       |             |                               |                                |       |       |       |       |       |       |                              |         |       |                                |
| Revenue Contributions: Service Accounts | 62                                  | 129                                     | 0                  | 0     | 0     | 0     | 30          | 0                             | 1,273                          | 0     | 139   | 60    | 90    | 1,970 | 324   | 7                            | 331     | 2,301 |                                |
| Transfer                                | 0                                   | 0                                       | 0                  | 0     | 0     | 0     | 0           | 0                             | 0                              | 0     | 0     | 0     | 0     | 0     | 180   | 0                            | 180     | 180   |                                |
| <b>TRANSFERS OUT</b>                    |                                     |   |                    |       |       |       |             |                               |                                |       |       |       |       |       |       |                              |         |       |                                |
| Capital Expenditure                     | 0                                   | 25                                      | 0                  | 0     | 0     | 0     | 30          | 0                             | 49                             | 0     | 0     | 0     | 0     | 0     | 104   | 0                            | 145     | 145   | 249                            |
| Revenue                                 | 0                                   | 26                                      | 0                  | 1     | 97    | 0     | 0           | 0                             | 0                              | 408   | 0     | 0     | 0     | 0     | 532   | 0                            | 0       | 0     | 532                            |
| <b>Balance: 31 March 2016</b>           | 256                                 | 565                                     | 1                  | 0     | 47    | 280   | 0           | 6                             | 3,591                          | 6     | 268   | 60    | 90    | 370   | 5,540 | 2,507                        | 236     | 2,743 | 8,283                          |

PDG = Planning Delivery Grant  
 HPDG = Housing Planning Delivery Grant  
 MLDF = Melton Local Development Framework

NHB = New Homes Bonus  
 BRR = Business Rates Retention Scheme  
 SLF = Supporting Leicestershire Families

WLC = Waterfield Leisure Centre

## 6 OTHER OPERATING EXPENDITURE

| 2014-15<br>£'000 |  | 2015-16<br>£'000 |
|------------------|--|------------------|
| 545              | Parish Council Precepts                              | 528              |
| 134              | Payments to Government Housing Capital Receipts Pool | 154              |
| 15               | Drainage Rates Levy                                  | 16               |
| 39               | Notional rent Parkside                               | 39               |
| -72              | Gains on the disposal of non-current assets          | -85              |
| 0                | Write off deferred charge                            | -26              |
| <b>661</b>       | <b>Total</b>   | <b>626</b>       |

## 7 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2014-15<br>£'000 |   | 2015-16<br>£'000 |
|------------------|---|------------------|
| 1,172            | Interest payable and similar charges  | 1,167            |
| 764              | Net interest on the net defined benefit liability (asset)                                 | 697              |
| -163             | Interest receivable and similar income  | -196             |
| 0                | Income & expenditure in relation to investment properties and changes in their fair value | -6               |
| -129             | Gains and Losses on Trading Accounts  | -35              |
| 0                | Other investment income   | 0                |
| <b>1,644</b>     | <b>Total</b>  | <b>1,627</b>     |

## 8 TAXATION AND NON SPECIFIC GRANT INCOME

| 2014-15<br>£'000 |   | 2015-16<br>£'000 |
|------------------|---|------------------|
| -3,689           | Council Tax Income                        | -3,773           |
| -1,054           | Non-Domestic Rates Income and Expenditure | -1,131           |
| -2,314           | Non-ring fenced government grants         | -1,882           |
| -532             | Capital grants and contributions          | -494             |
| <b>-7,589</b>    | <b>Total</b>                              | <b>-7,280</b>    |

|  | Council<br>Dwellings<br>£'000 | Other<br>Land &<br>Buildings<br>£'000 | Vehicles,<br>Plant,<br>Furniture<br>&<br>Equipment<br>£'000 | Infra-<br>structure<br>Assets<br>£'000 | Community<br>Assets<br>£'000 | Surplus<br>Assets<br>£'000 | Assets<br>under<br>Construction<br>£'000 | Total<br>Property,<br>Plant &<br>Equipment<br>£'000 |
|--|-------------------------------|---------------------------------------|---|--|------------------------------|----------------------------|--|---|
| <b>Movements in 2015-16</b>  |                               |                                       |   |  |                              |                            |  |   |
| <b>Cost of Valuation</b>   |                               |                                       |   |  |                              |                            |  |   |
| At 1 April 2015  | 71,068                        | 16,929                                | 2,527   | 55                                     | 442                          | 0                          | 0  | 91,021  |
| Additions  | 1,476                         | 754                                   | 423   | 0                                      | 0                            | 0                          | 244                                      | 2,897   |
| Revaluations recognised in revaluation reserve                       | 2,828                         | 1,085                                 | -40   | 0                                      | 10                           | 0                          | 0  | 3,883   |
| Revaluations recognised in deficit on Provision of Services          | -8                            | 483                                   | -48   | 0                                      | 0                            | 0                          | 0  | 427   |
| De-recognition - Disposals   | -787                          | 0                                     | -464  | -10                                    | 0                            | 0                          | 0  | -1,261  |
| Assets reclassified to held for sale                                 | -316                          | 0                                     | 0   | 0                                      | 0                            | 0                          | 0  | -316  |
| Assets reclassified to intangibles                                   | 0                             | 0                                     | -325  | 0                                      | 0                            | 0                          | 0  | -325  |
| Assets reclassified to investment property                           | 0                             | -70                                   | 0   | 0                                      | 0                            | 0                          | 0  | -70   |
| Other Movements in cost/valuation                                    | 0                             | 74                                    | 0   | 0                                      | 0                            | 0                          | 0  | 74  |
| At 31 March 2016   | 74,261                        | 19,255                                | 2,073   | 45                                     | 452                          | 0                          | 244                                      | 96,330  |
| <b>Accumulated Depreciation and Impairment</b>                       |                               |                                       |   |  |                              |                            |  |   |
| At 1 April 2015  | 0                             | 0                                     | -837  | -24                                    | -377                         | 0                          | 0  | -1,238  |
| Depreciation Charge  | -1,068                        | -397                                  | -288  | -1                                     | 0                            | 0                          | 0  | -1,754  |
| Depreciation written out to revaluation reserve                      | 1,068                         | 123                                   | 93  | 0                                      | 0                            | 0                          | 0  | 1,284   |
| Depreciation written out to deficit on Provision of Services         | 0                             | 348                                   | 0   | 0                                      | 0                            | 0                          | 0  | 348   |
| 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                                      | 0                            | 0                          | 0  | 0   |
| De-recognition - Disposals   | 0                             | 0                                     | 279   | 0                                      | 0                            | 0                          | 0  | 279   |
| Depreciation movement to intangibles on reclassification             | 0                             | 0                                     | 48  | 0                                      | 0                            | 0                          | 0  | 48  |
| Other movement in depreciation & Impairment                          | 0                             | -74                                   | 0   | 0                                      | 0                            | 0                          | 0  | -74   |
| At 31 March 2016   | 0                             | 0                                     | -705  | -25                                    | -377                         | 0                          | 0  | -1,107  |
| <b>Net Book Value</b>  |                               |                                       |   |  |                              |                            |  |   |
| At 31 March 2016   | 74,261                        | 19,255                                | 1,368   | 20                                     | 75                           | 0                          | 244                                      | 95,223  |
| At 31 March 2015   | 71,068                        | 16,929                                | 1,690   | 31                                     | 65                           | 0                          | 0  | 89,783  |

|  | 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>2014-15 Comparatives</b>  |                   |                        |  |                        |                  |                |                           |                                   |
| <b>Cost or Valuation</b>   |                   |                        |  |                        |                  |                |                           |                                   |
| 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 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                            |
| <b>Accumulated Depreciation and Impairment</b>                               |                   |                        |  |                        |                  |                |                           |                                   |
| 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 Surplus/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 and impairment                                | 0                 | 0                      | 0                                      | 0                      | 0                | 0              | 0                         | 0                                 |
| At 31 March 2015   | 0                 | 0                      | -837                                   | -24                    | -377             | 0              | 0                         | -1,238                            |
| <b>Net Book Value</b>  |                   |                        |  |                        |                  |                |                           |                                   |
| 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                            |

## **Depreciation**

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

- Council Dwellings – 50 years
- Other Land and buildings 12–46 years
- Vehicles, Plant, Furniture and Equipment – 1-30 years
- Infrastructure – 9-60 years

## **Capital Commitments**

At 31 March 2016 the council has entered into one contract for the enhancement of Property, Plant and Equipment in 2016/17 and 2017/18 budgeted to cost £5.2million. This is in relation to the re-development of the Cattle Market. There were no similar commitments as at 31 March 2015.

## **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 current value. Valuations were carried out internally and through an external party. 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 current values are:

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- 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.

## **Surplus Assets**

The Council does not have any material surplus assets.

## **Property, Plant & Equipment Valuation Information**

The freehold and leasehold properties which comprise the Council's property portfolio were valued as at 31 March 2016 by Mr David Blanchard, the Council's corporate property officer, and Mr Steven Holland of Innes England, both of whom are qualified members of the Royal Institute of Chartered Surveyors (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 Council's 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 2016 in respect of HRA properties the valuer has provided a value as at 31 March 2015 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 Council's Children's & Community Centres, Waterfield Leisure Centre, Melton Sports Village 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 for all operational assets as at 31 March 2016 taking into account all the available evidence of movements in the year.

Vehicles and general plant and equipment not associated with buildings and with no active second hand market identified 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. 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 2015/16 this property was re-valued at £160k, on a fair value basis for existing use as an operational, non-specialised asset, which is an upward re-valuation of £116k on its 2014/15 value.

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.

|   | 2014-15<br>£'000 | 2015-16<br>£'000 |
|---|------------------|------------------|
| Rental Income from Investment Property                    | 131              | 135              |
| Direct Operating Expense arising from Investment Property | -90              | -119             |
| <b>Net Gain/Loss(-)</b>                                   | <b>41</b>        | <b>16</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:

|   | 2014-15<br>£'000 | 2015-16<br>£'000 |
|---|------------------|------------------|
| Balance at year start                         | 1,300            | 1,300            |
| Additions:                                    |                  |                  |
| Purchases                                     | 0                | 0                |
| Construction                                  | 0                | 0                |
| Subsequent Expenditure                        | 0                | 0                |
| Disposals                                     | 0                | 0                |
| Net gains/ losses from fair value adjustments | 0                | -17              |
| Transfers:                                    |                  |                  |
| to/from inventories                           | 0                | 0                |
| to/from property, plant & equipment           | 0                | 70               |
| Other Changes                                 | 0                | 0                |
| <b>Balance at Year End</b>                    | <b>1,300</b>     | <b>1,353</b>     |

## FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTY

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2015 and 2016 are as follows:

|  | Quoted Prices in active markets for identical assets (Level 1)<br>£'000 | Other Significant Observable Inputs (Level 2)<br>£'000 | Significant Unobservable Inputs (Level 3)<br>£'000 | Recurring Fair Value as at 31 March 2016<br>£'000 |
|--|---|--|--|---|
| Residential (Market Rental) Properties | 110   | 0  | 0  | 110   |
| Industrial Units                       | 1,243   | 0  | 0  | 1,243   |
| <b>Total</b>                           | <b>1,353</b>  | <b>0</b>   | <b>0</b>   | <b>1,353</b>                                      |

### 2014/15 Comparatives

|  | Quoted Prices in active markets for identical assets (Level 1)<br>£'000 | Other Significant Observable Inputs (Level 2)<br>£'000 | Significant Unobservable Inputs (Level 3)<br>£'000 | Recurring Fair Value as at 31 March 2015<br>£'000 |
|--|---|--|--|---|
| Residential (Market Rental) Properties | 0   | 0  | 0  | 0   |
| Industrial Units                       | 1,300   | 0  | 0  | 1,300   |
| <b>Total</b>                           | <b>1,300</b>  | <b>0</b>   | <b>0</b>   | <b>1,300</b>                                      |

### Transfers between levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### Valuation Techniques

There has been no change in the valuation techniques during the year for investment properties.

## 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:

|   | 2014-15                                    |                          |                | 2015-16                                    |                          |                |
|---|--|--------------------------|----------------|--|--------------------------|----------------|
|   | Internally<br>Generated<br>Assets<br>£'000 | Other<br>Assets<br>£'000 | Total<br>£'000 | Internally<br>Generated<br>Assets<br>£'000 | Other<br>Assets<br>£'000 | Total<br>£'000 |
| Balance at year start:  |  |                          |                |  |                          |                |
| 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         |
| Net carrying amount at year start   | 0  | 373                      | 373            | 0  | 403                      | 403            |
| Additions:  |  |                          |                |  |                          |                |
| Internal development  | 0  | 0                        | 0              | 0  | 0                        | 0              |
| Purchases   | 0  | 243                      | 243            | 0  | 49                       | 49             |
| Assets reclassified from property,<br>plant and equipment   | 0  | 0                        | 0              | 0  | 325                      | 325            |
| Disposals   | 0  | 0                        | 0              | 0  | -407                     | -407           |
| Revaluations increases or<br>decreases  | 0  | 0                        | 0              | 0  | 0                        | 0              |
| Impairment losses recognised or<br>reversed directly in Revaluation<br>Reserve                            | 0  | 0                        | 0              | 0  | 0                        | 0              |
| Impairment losses recognised in<br>Surplus/Deficit on the Provision of<br>Services                        | 0  | 0                        | 0              | 0  | 0                        | 0              |
| Reversals of past impairment<br>losses written back to the<br>Surplus/Deficit on Provision of<br>Services | 0  | 0                        | 0              | 0  | 0                        | 0              |
| Amortisation in period  | 0  | -83                      | -83            | 0  | -244                     | -244           |
| Amortisation De-recognition-<br>Disposals   | 0  | 0                        | 0              | 0  | 407                      | 407            |
| Amortisation movement from<br>property, plant and equipment on<br>re-classification                       | 0  | 0                        | 0              | 0  | -48                      | -48            |
| Other Changes   | 0  | -130                     | -130           | 0  | 0                        | 0              |
| <b>Net Carrying Amount at year end</b>  | <b>0</b>                                   | <b>403</b>               | <b>403</b>     | <b>0</b>                                   | <b>485</b>               | <b>485</b>     |
| Comprising:   |  |                          |                |  |                          |                |
| Gross Carrying Amounts  | 0  | 1,666                    | 1,666          | 0  | 1,633                    | 1,633          |
| Accumulated amortisation  | 0  | -1,263                   | -1,263         | 0  | -1,148                   | -1,148         |
|   | <b>0</b>                                   | <b>403</b>               | <b>403</b>     | <b>0</b>                                   | <b>485</b>               | <b>485</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 of items of software which are valued at amortised historic costs.

## 13 FINANCIAL INSTRUMENTS

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

|  | Long-Term                 |                           | Current                   |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'000 | 31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'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<br>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  | 684                       | 720                       | 5,136                     | 4,512                     |
| Financial Assets carried at contract<br>amounts              | 0                         | 0                         | 0                         | 0                         |
| <b>Total Included in Receivables</b>                         | <b>684</b>                | <b>720</b>                | <b>5,136</b>              | <b>4,512</b>              |
| <b>Borrowings</b>  |                           |                           |                           |                           |
| Financial liabilities at amortised<br>cost                   | 31,534                    | 31,534                    | 0                         | 0                         |
| Financial liabilities at fair value<br>through profit & loss | 0                         | 0                         | 0                         | 0                         |
| <b>Total Included in Borrowings</b>                          | <b>31,534</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   | 1,613                     | 1,536                     | 0                         | 0                         |
| <b>Total Other Long Term Liabilities</b>                     | <b>1,613</b>              | <b>1,536</b>              | <b>0</b>                  | <b>0</b>                  |
| <b>Payables</b>  |                           |                           |                           |                           |
| Financial liabilities at amortised<br>cost                   | 0                         | 0                         | 4,119                     | 2,704                     |
| Financial liabilities carried at<br>contract amount          | 0                         | 0                         | 0                         | 0                         |
| <b>Total Payables</b>  | <b>0</b>                  | <b>0</b>                  | <b>4,119</b>              | <b>2,704</b>              |

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

|   | 2014-15   |  |  |   |                | 2015-16   |  |  |   |                |
|---|---|--|--|---|----------------|---|--|--|---|----------------|
|   | Financial Liabilities measured at Amortised cost<br>£'000 | Financial Assets loans & receivable<br>£'000 | Financial Assets Available for sale<br>£'000 | Assets & Liabilities at fair value through profit & loss<br>£'000 | Total<br>£'000 | Financial Liabilities measured at Amortised cost<br>£'000 | Financial Assets loans & receivable<br>£'000 | Financial Assets Available for sale<br>£'000 | Assets & Liabilities at fair value through profit & loss<br>£'000 | Total<br>£'000 |
| Interest Expense  | 1,172   | 0  | 0  | 0   | 1,172          | 1,167   | 0  | 0  | 0   | 1,167          |
| Losses on de-recognition  | 0   | 0  | 0  | 0   | 0              | 0   | 0  | 0  | 0   | 0              |
| Reductions in fair value  | 0   | 0  | 0  | 0   | 0              | 0   | 0  | 0  | 0   | 0              |
| Impairment losses   | 0   | 0  | 0  | 0   | 0              | 0   | 0  | 0  | 0   | 0              |
| Fee expense   | 0   | 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>1,167</b>  | <b>0</b>                                     | <b>0</b>                                     | <b>0</b>  | <b>1,167</b>   |
| Interest Income   | 0   | 163  | 0  | 0   | 163            | 0   | 196  | 0  | 0   | 196            |
| Interest Income accrued on impaired financial assets  | 0   | 0  | 0  | 0   | 0              | 0   | 0  | 0  | 0   | 0              |
| Increases in fair value   | 0   | 0  | 0  | 0   | 0              | 0   | 0  | 0  | 0   | 0              |
| Gains on de-recognition   | 0   | 0  | 0  | 0   | 0              | 0   | 0  | 0  | 0   | 0              |
| Fee Income  | 0   | 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>163</b>                                   | <b>0</b>                                     | <b>0</b>  | <b>163</b>     | <b>0</b>  | <b>196</b>                                   | <b>0</b>                                     | <b>0</b>  | <b>196</b>     |
| Gains on Revaluation  | 0   | 0  | 0  | 0   | 0              | 0   | 0  | 0  | 0   | 0              |
| Losses on Revaluation   | 0   | 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   | 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>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>  | <b>0</b>       |

**The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which fair value disclosures are required)**

All financial liabilities and financial assets held by the authority are classified as loans and receivables and long term debtors and creditors and 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 fair values calculated are as follows.

| Financial Liabilities             | 31 March 2015   |            | 31 March 2016   |            |
|-----------------------------------|-----------------|------------|-----------------|------------|
|                                   | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                                   | £'000           | £'000      | £'000           | £'000      |
| Financial Liabilities- PWLB Loans | 31,413          | 42,116     | 31,413          | 42,829     |

The fair value of the Public Works Loans Board (PWLB) loans of £42.829m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis the carrying amount of £31.413m is valued at £35.601m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will now not be paid. The exit price for the PWLB loans including the penalty charge would be £42.829m.

| Financial Assets   | 31 March 2015   |            | 31 March 2016   |            |
|--|-----------------|------------|-----------------|------------|
|  | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|  | £'000           | £'000      | £'000           | £'000      |
| Other loans & receivables- fixed rate investments and money market funds | 16,450          | 16,492     | 17,650          | 17,721     |

**Fair Value Hierarchy for financial assets and financial liabilities that are not measured at fair value**

|  | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total         |
|--|--|---|---|---------------|
|  | £'000  | £'000   | £'000                                     | £'000         |
| Recurring fair value measurements using:                                 |  |   |   |               |
| <b>Financial Liabilities</b>   |  |   |   |               |
| <i>Financial Liabilities held at amortised cost</i>                      |  |   |   |               |
| PWLB loans   | 0  | 42,829  | 0   | 42,829        |
| <b>Total</b>   | <b>0</b>   | <b>42,829</b>                                 | <b>0</b>                                  | <b>42,829</b> |
| <b>Financial Assets</b>  |  |   |   |               |
| Other loans & receivables- fixed rate investments and money market funds | 0  | 17,721  | 0   | 17,721        |
| <b>Total</b>   | <b>0</b>   | <b>17,721</b>                                 | <b>0</b>                                  | <b>17,721</b> |

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using discounted cash flow analysis with the most significant input being the net present value of cash flows that are expected to take place over the remaining life of the instruments.

## 14 RECEIVABLES

| 31 March 2015 |                                  | 31 March 2016 |
|---------------|----------------------------------|---------------|
| £'000         |                                  | £'000         |
|               | Amounts falling due in one year: |               |
| 0             | Central Government Bodies        | 0             |
| 1,603         | Other Local Authorities          | 1,348         |
| 551           | Housing rent                     | 510           |
| 3,702         | Other Entities and Individuals   | 3,330         |
| -720          | Provision for doubtful debts     | -676          |
| <b>5,136</b>  |                                  | <b>4,512</b>  |

## 15 CASH AND CASH EQUIVALENTS

| 31 March 2015 |   | 31 March 2016 |
|---------------|---|---------------|
| £'000         |   | £'000         |
| 0             | Cash Held by the Authority                        | 0             |
| 212           | Bank Current Accounts                             | -196          |
| 15,100        | Short-term deposits with Banks/Building Societies | 14,650        |
| 1,350         | Money Market Funds                                | 3,000         |
| <b>16,662</b> | <b>Total cash &amp; cash equivalents</b>          | <b>17,454</b> |

## 16 ASSETS HELD FOR SALE

| 31 March 2015 |  | 31 March 2016 |
|---------------|--|---------------|
| £'000         |  | £'000         |
| <b>206</b>    | <b>Balance outstanding at start of year</b>      | <b>128</b>    |
|               | <b>Assets newly classified as held for sale:</b> |               |
| 128           | Property, Plant & Equipment                      | 316           |
| 0             | Revaluation Gains/Losses                         | 0             |
|               | <b>Assets declassified as held for sale:</b>     |               |
| 0             | Property, Plant & Equipment                      | 0             |
| -206          | Assets Sold                                      | -128          |
| <b>128</b>    | <b>Balance outstanding at year end</b>           | <b>316</b>    |

## 17 PAYABLES

| 31 March 2015 |                                | 31 March 2016 |
|---------------|--------------------------------|---------------|
| £'000         |                                | £'000         |
| 183           | Central Government Bodies      | 83            |
| 282           | Other Local Authorities        | 430           |
| 3,654         | Other Entities and Individuals | 2,191         |
| <b>4,119</b>  | <b>Total</b>                   | <b>2,704</b>  |

## 18 PROVISIONS

|                                 | Other Provisions | Total      |
|---------------------------------|------------------|------------|
|                                 | £'000            | £'000      |
| <b>Balance at 1 April 2015</b>  | <b>218</b>       | <b>218</b> |
| Actual Provisions made          | 267              | 267        |
| Amounts used                    | -109             | -109       |
| Unused amounts reversed         | 0                | 0          |
| Unwinding of discounting        | 0                | 0          |
| <b>Balance at 31 March 2016</b> | <b>376</b>       | <b>376</b> |

### Other Provisions

The Council has one provision within its accounts:

The 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 2016, compared to that at 31 March 2015.

## 19 USABLE RESERVES

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

## 20 UNUSABLE RESERVES

| <b>31 March 2015</b> |  | <b>31 March 2016</b> |
|----------------------|--|----------------------|
| <b>£'000</b>         |  | <b>£'000</b>         |
| 11,125               | Revaluation Reserve                      | 15,707               |
| 47,298               | Capital Adjustment Account               | 48,518               |
| 0                    | Financial Instruments Adjustment Account | 0                    |
| 648                  | Deferred Capital Receipts Reserve        | 668                  |
| -21,702              | Pensions Reserve                         | -15,635              |
| 14                   | Collection Fund Adjustment Account       | -103                 |
| -128                 | Accumulated Absences Account             | -103                 |
| <b>37,255</b>        | <b>Total Unusable Reserves</b>           | <b>49,052</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.

| <b>2014-15</b> |  | <b>2015-16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 4,077          | <b>Balance at 1 April</b>  | 11,125         |
| 9,901          | Upward revaluation of Assets   | 6,430          |
| -2,786         | Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services       | -1,262         |
| 7,115          | Surplus/deficit (-) on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services | 5,168          |
| -67            | Difference between fair value depreciation & historical cost depreciation  | -513           |
| 0              | Accumulated gains on assets sold or scrapped   | -73            |
| -67            | Amount written off to the Capital Adjustment Account   | -586           |
| <b>11,125</b>  | <b>Balance at 31 March</b>   | <b>15,707</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 subsequent costs 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 subsequent costs.

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.

| <b>2014-15</b>   | <b>2015-16</b> |
|--|----------------|
| <b>£'000</b>   | <b>£'000</b>   |
| <b>46,458</b>  | <b>47,298</b>  |
| <b>Balance at 1 April</b>  |                |
| Reversal of items relating to capital expenditure on the Comprehensive Income & Expenditure Statement:   |                |
| -1,557   | -1,754         |
| -343   | 783            |
| -214   | -244           |
| -327   | -502           |
| Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the comprehensive income & expenditure statement |                |
| -401   | -1,110         |
| -2,842   | -2,827         |
| 67   | 586            |
| Adjusting amounts written out of the Revaluation Reserve   |                |
| Net written out amount of the cost of non-current assets consumed in the year  |                |
| -2,775   | -2241          |
| Capital Financing Applied in the year:   |                |
| Use of the Capital Receipts Reserve to finance new capital expenditure   |                |
| 814  | 1,277          |
| Use of the Major Repairs Reserve to finance new capital expenditure  |                |
| 660  | 1,427          |
| Use of Development & Regeneration Reserve to finance new capital expenditure   |                |
| 1,039  | 49             |
| Use of New Homes Bonus Reserve to finance new capital expenditure  |                |
| 100  | 0              |
| Capital Grants & Contributions credited to comprehensive income & expenditure statement that have been applied to capital financing            |                |
| 144  | 144            |
| Application of Grants to capital financing from Capital Grants Unapplied Account   |                |
| 388  | 349            |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances                                  |                |
| 404  | 13             |
| Capital expenditure charged against the General Fund and HRA balances  |                |
| 46   | 200            |
| 39   | 39             |
| -19  | -20            |
| 3,615  | 3,478          |
| 0  | -17            |
| Movement in Market Value of Investment Properties  |                |
| <b>47,298</b>  | <b>48,518</b>  |
| <b>Balance at 31 March</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.

| <b>2014-15</b> |  | <b>2015-16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| -17,792        | <b>Balance at 1 April</b>  | -21,702        |
| -3,152         | Re-measurements of the net defined benefit liability/asset(-)  | 6,953          |
|                | Reversal of items relating to retirement benefits credited to the deficit on provision of Services in the Comprehensive Income and Expenditure statement |                |
| -1,645         | Employers pension contributions and direct payments to pensioners payable in the year  | -1,818         |
| 887            |  | 932            |
| <b>-21,702</b> | <b>Balance at 31 March</b>   | <b>-15,635</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.

| <b>2014-15</b> |  | <b>2015-16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 629            | <b>Balance at 1 April</b>  | 648            |
| 19             | Transfer of deferred sale proceeds credited as part of gain/loss on disposal on comprehensive income & expenditure statement | 20             |
| 0              | Transfer to the Capital Receipts Reserve upon receipt of cash  | 0              |
| <b>648</b>     | <b>Balance at 31 March</b>   | <b>668</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.

| <b>2014-15</b> |  | <b>2015-16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| -263           | <b>Balance at 1 April</b>  | 14             |
| 277            | 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 | -117           |
| <b>14</b>      | <b>Balance at 31 March</b>   | <b>-103</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.

| 2014-15<br>£'000 |  | 2015-16<br>£'000 |
|------------------|--|------------------|
| -177             | <b>Balance at 1 April</b>  | -128             |
|                  | Settlement or cancellation of accrual made at the end of the preceding year  | 128              |
| - 128            | Amounts accrued at the end of the current year   | -103             |
|                  | 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 | 25               |
| -128             | <b>Balance at 31 March</b>   | -103             |

## 21 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2014-15<br>£'000 |                   | 2015-16<br>£'000 |
|------------------|-------------------|------------------|
| 163              | Interest Received | 160              |
| -1,171           | Interest Paid     | -1,168           |

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

| 2014-15<br>£'000 |   | 2015-16<br>£'000 |
|------------------|---|------------------|
| 1,557            | Depreciation  | 1,754            |
| 395              | Impairment and downward valuations  | -767             |
| 213              | Amortisation  | 244              |
| 90               | Increase/(decrease) in bad debt provision   | -44              |
| 41               | Increase/(decrease) in other provisions   | 0                |
| 488              | Increase/(decrease) in creditors  | -1,057           |
| -550             | (Increase)/decrease in debtors  | 681              |
| 758              | Movement of pension liability   | 886              |
| 401              | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 1,110            |
| -166             | Other non-cash items charged to the net surplus or deficit on the provision of services           | 104              |
| <b>2,343</b>     |   | <b>2,911</b>     |

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

| 2014-15<br>£'000 |  | 2015-16<br>£'000 |
|------------------|--|------------------|
| 481              | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -1,193           |
| -439             | other items for which the cash effects are investing or financing activities                       | -494             |
| <b>42</b>        |  | <b>-1,687</b>    |

## 22 CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2014-15<br>£'000 |  | 2015-16<br>£'000 |
|------------------|--|------------------|
| -2,865           | Purchase of Property, Plant & Equipment, investment property and intangible assets               | -3,303           |
| -327             | Other payments for investing activities  |                  |
| 481              | Proceeds from the sale of property, plant & equipment, investment property and intangible assets | 1,195            |
| 459              | Other receipts from investing activities   | 349              |
| <b>-2,252</b>    | <b>Net cash-flows from investing activities</b>  | <b>-1,759</b>    |

## 23 CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 2014-15<br>£'000 |   | 2015-16<br>£'000 |
|------------------|---|------------------|
| 0                | Cash receipts of short and long term borrowing  | 0                |
| -448             | Repayments of short and long term borrowing     | -51              |
| <b>-448</b>      | <b>Net cash-flows from financing activities</b> | <b>-51</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 6 reportable segments and 1 non-reportable segment based on its Committee 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:

- General Fund Services reporting to the Community & Social Affairs Committee (CSA)
- Special Expenses reporting to CSA
- The Housing Revenue Account (HRA), reporting to CSA
- General Fund Services reporting to the Rural, Economic & Environment Affairs Committee (REEA)
- General Fund Services reporting to the Policy, Finance and Administration Committee (PFA)
- Special Expenses reporting to the Town Area Committee (TAC)

The Council's non reportable segment are Holding Accounts.

Of the 6 reportable segments the 4 separately reported below amount to 97.24% of the gross expenditure in 2015-16 (97.26% in 2014-15).

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            | General Fund Services |              |              | HRA           | Other              | Total         |
|---|-----------------------|--------------|--------------|---------------|--------------------|---------------|
|   | CSA                   | REEA         | PFA          | CSA           | All Other Segments |               |
|   | £'000                 | £'000        | £'000        | £'000         | £'000              | £'000         |
| 2015/16                                   |                       |              |              |               |                    |               |
| Fees, charges & other service income      | 968                   | 2,545        | 753          | 8,114         | 136                | 12,516        |
| Government grants and other contributions | 9,163                 | 212          | 1,438        | 0             | 0                  | 10,813        |
| <b>Total income</b>                       | <b>10,131</b>         | <b>2,757</b> | <b>2,191</b> | <b>8,114</b>  | <b>136</b>         | <b>23,329</b> |
| Employee expenses                         | 1,598                 | 1,354        | 3,058        | 630           | 4                  | 6,644         |
| Other service expenses                    | 10,906                | 3,915        | 2,274        | 3,252         | 313                | 20,660        |
| Support service recharges                 | 210                   | 385          | -2,609       | 895           | 415                | -704          |
| <b>Total expenditure</b>                  | <b>12,714</b>         | <b>5,654</b> | <b>2,723</b> | <b>4,777</b>  | <b>732</b>         | <b>26,600</b> |
| <b>Net expenditure</b>                    | <b>2,583</b>          | <b>2,897</b> | <b>532</b>   | <b>-3,337</b> | <b>596</b>         | <b>3,271</b>  |

% of authorities gross expenditure 47.79% 21.25% 10.24% 17.96% 2.76%

| Service income and expenditure            | General Fund Services |              |              | HRA           | Other              | Total         |
|---|-----------------------|--------------|--------------|---------------|--------------------|---------------|
|   | CSA                   | REEA         | PFA          | CSA           | All Other Segments |               |
|   | £'000                 | £'000        | £'000        | £'000         | £'000              | £'000         |
| 2014/15 comparatives                      |                       |              |              |               |                    |               |
| Fees, charges & other service income      | 719                   | 2,810        | 833          | 7,932         | 132                | 12,426        |
| Government grants and other contributions | 10,186                | 189          | 1,083        | 0             | 0                  | 11,458        |
| <b>Total income</b>                       | <b>10,905</b>         | <b>2,999</b> | <b>1,916</b> | <b>7,932</b>  | <b>132</b>         | <b>23,884</b> |
| Employee expenses                         | 1,626                 | 1,279        | 2,972        | 529           | 7                  | 6,413         |
| Other service expenses                    | 10,654                | 3,970        | 3,613        | 2,817         | 322                | 21,376        |
| Support service recharges                 | 285                   | 573          | -2,905       | 706           | 408                | -933          |
| <b>Total expenditure</b>                  | <b>12,565</b>         | <b>5,822</b> | <b>3,680</b> | <b>4,052</b>  | <b>737</b>         | <b>26,856</b> |
| <b>Net expenditure</b>                    | <b>1,660</b>          | <b>2,823</b> | <b>1,764</b> | <b>-3,880</b> | <b>605</b>         | <b>2,972</b>  |

% of authorities gross expenditure 46.79% 21.68% 13.70% 15.09% 2.74%

## 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.

|   | 2014-15      | 2015-16      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net Expenditure in the Service Analysis   | 2,972        | 3,271        |
| <b>Net Expenditure of services and support services not included in the analysis</b>                        | 0            | 0            |
| <b>Amounts in the Comprehensive Income &amp; Expenditure Statement not reported in the Service Analysis</b> |              |              |
| Reversal of employers contribution (excluding HRA 2014-15 £59k, 2015-16 £71k)                               | -829         | -861         |
| Current service pension cost (excluding HRA 2014-15 £65k, 2015-16 £94k)                                     | 817          | 1,018        |
| Reversal of previous year short term accumulated absences   | -157         | -125         |
| Accrual of current year short term accumulated absences   | 124          | 95           |
| Pension settlements   | 0            | 9            |
| Exceptional item(s)   | -18          | 0            |
| Corporate and Democratic Core recharge to HRA   | 201          | 190          |
| Unapportionable overheads recharge to HRA   | -5           | 11           |
| <b>Amounts included in the analysis not included in the CIES</b>  |              |              |
| Trading undertakings  | 129          | 35           |
| Change to Fair Value of Investment Properties   | 0            | 6            |
| <b>Cost of services in the Comprehensive Income and Expenditure statement</b>                               | <b>3,234</b> | <b>3,649</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.

| 2015-16                               | Service Analysis<br>£'000 | Services & Support Services not in analysis<br>£'000 | Amounts not reported to Management for decision making<br>£'000 | Amounts not included in CIES<br>£'000 | Allocation of recharges<br>£'000 | Cost of Services<br>£'000 | Corporate Amounts<br>£'000 | Total<br>£'000 |
|---------------------------------------|---------------------------|--|---|---------------------------------------|----------------------------------|---------------------------|----------------------------|----------------|
| Fees charges & other service income   | -12,516                   | 0  | 0   | 0                                     | 0                                | -12,516                   | 0                          | -12,516        |
| Interest & Investment Income          | 0                         | 0  | 0   | 0                                     | 0                                | 0                         | -196                       | -196           |
| Income from Council Tax               | 0                         | 0  | 0   | 0                                     | 0                                | 0                         | -3,773                     | -3,773         |
| Trading Undertakings                  | 0                         | 0  | 0   | 453                                   | 0                                | 453                       | -453                       | 0              |
| Change to FV of Investment Properties | 0                         | 0  | 0   | 6                                     | 0                                | 6                         | -6                         | 0              |
| Government Grants & Contributions     | -10,813                   | 0  | 0   | 0                                     | 0                                | -10,813                   | -3,013                     | -13,826        |
| <b>Total Income</b>                   | <b>-23,329</b>            | <b>0</b>   | <b>0</b>  | <b>459</b>                            | <b>0</b>                         | <b>-22,870</b>            | <b>-7,441</b>              | <b>-30,311</b> |

|   | Service<br>Analysis<br>£'000 | Services<br>&<br>Support<br>Services<br>not in<br>analysis<br>£'000 | Amounts<br>not reported<br>to<br>Management<br>for decision<br>making<br>£'000 | Amounts<br>not<br>included<br>in CIES<br>£'000 | Allocation<br>of<br>recharges<br>£'000 | Cost of<br>Services<br>£'000 | Corporate<br>Amounts<br>£'000 | Total<br>£'000 |
|---|------------------------------|---|--|--|--|------------------------------|-------------------------------|----------------|
| Employee Expenses                                       | 6,644                        | 0   | 135  | 0  | 0                                      | 6,779                        | 0                             | 6,779          |
| Other Service<br>Expenses                               | 18,906                       | 0   | 0  | 0  | 0                                      | 18,906                       | 0                             | 18,906         |
| Support Service<br>Recharges                            | -704                         | 0   | 202  | 0  | 0                                      | -502                         | 0                             | -502           |
| Depreciation,<br>Amortisation &<br>Impairment           | 1,754                        | 0   | 0  | 0  | 0                                      | 1,754                        | 0                             | 1,754          |
| Trading Operations                                      | 0                            | 0   | 0  | -418   | 0                                      | -418                         | 418                           | 0              |
| Interest Payments                                       | 0                            | 0   | 0  | 0  | 0                                      | 0                            | 1,167                         | 1,167          |
| Pension interest cost<br>and expected return            | 0                            | 0   | 0  | 0  | 0                                      | 0                            | 697                           | 697            |
| Precepts & Levies                                       | 0                            | 0   | 0  | 0  | 0                                      | 0                            | 543                           | 543            |
| Capital grants and<br>contributions                     | 0                            | 0   | 0  | 0  | 0                                      | 0                            | -494                          | -494           |
| Payments to Housing<br>Capital Receipts Pool            | 0                            | 0   | 0  | 0  | 0                                      | 0                            | 154                           | 154            |
| Notional Parkside<br>Rent                               | 0                            | 0   | 0  | 0  | 0                                      | 0                            | 39                            | 39             |
| Exceptional item-<br>imbalance                          | 0                            | 0   | 0  | 0  | 0                                      | 0                            | 0                             | 0              |
| Gains/Loss on<br>Disposal of Fixed<br>Assets            | 0                            | 0   | 0  | 0  | 0                                      | 0                            | -279                          | -279           |
| De-recognition of<br>fixed asset                        | 0                            | 0   | 0  | 0  | 0                                      | 0                            | 195                           | 195            |
| Write off deferred<br>charge                            | 0                            | 0   | 0  | 0  | 0                                      | 0                            | -26                           | -26            |
| <b>Total Expenditure</b>                                | <b>26,600</b>                | <b>0</b>  | <b>337</b>   | <b>-418</b>                                    | <b>0</b>                               | <b>26,519</b>                | <b>2,414</b>                  | <b>28,933</b>  |
| <b>Surplus/Deficit on<br/>provision of<br/>services</b> | <b>3,271</b>                 | <b>0</b>  | <b>337</b>   | <b>41</b>                                      | <b>0</b>                               | <b>3,649</b>                 | <b>-5,027</b>                 | <b>-1,378</b>  |

| <b>2014-15<br/>Comparatives</b>                 | <b>Service<br/>Analysis<br/>£'000</b> | <b>Services<br/>&amp;<br/>Support<br/>Services<br/>not in<br/>analysis<br/>£'000</b> | <b>Amounts<br/>not reported<br/>to<br/>Management<br/>for decision<br/>making<br/>£'000</b> | <b>Amounts<br/>not<br/>included<br/>in CIES<br/>£'000</b> | <b>Allocation<br/>of<br/>recharges<br/>£'000</b> | <b>Cost of<br/>Services<br/>£'000</b> | <b>Corporate<br/>Amounts<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|---------------------------------------|--|---|---|--|---------------------------------------|--|------------------------|
| 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>          |

## 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:-

| <b>2014-15</b><br><b>£'000</b> | <b>2015-16</b><br><b>£'000</b> |
|--------------------------------|--------------------------------|
| -357 Turnover                  | -324                           |
| <u>269 Expenditure</u>         | <u>298</u>                     |
| <b>-88 Deficit/Surplus (-)</b> | <b>-26</b>                     |

(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.

| <b>2014-15</b><br><b>£'000</b> | <b>2015-16</b><br><b>£'000</b> |
|--------------------------------|--------------------------------|
| -131 Turnover                  | -128                           |
| <u>90 Expenditure</u>          | <u>119</u>                     |
| <b>-41 Deficit/Surplus (-)</b> | <b>-9</b>                      |

## 26 AGENCY SERVICES

In 2014/15 (and previous years) the Council had an agency agreement with Leicestershire County Council whereby the Council was responsible for the provision of children's services within the borough on behalf of the County Council. The County Council reimbursed the borough for this work, including a contribution towards administrative costs. This agency relationship ended on 31<sup>st</sup> March 2015.

A summary of expenditure incurred and reimbursement received in respect of the activity in 2014/15 is as follows:

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

## 27 MEMBERS' ALLOWANCES

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

|              | <b>2014-15</b><br><b>£'000</b> | <b>2015-16</b><br><b>£'000</b> |
|--------------|--------------------------------|--------------------------------|
| Allowances   | 174                            | 180                            |
| Expenses     | 8                              | 8                              |
| <b>Total</b> | <u><b>182</b></u>              | <u><b>188</b></u>              |

## 28 OFFICERS REMUNERATION

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

|   |         | <u>Salary, Fees<br/>&amp; Allowances</u> | <u>Expenses<br/>Allowance</u> | <u>Employer<br/>Pension</u> | <u>Total<br/>including<br/>Pension</u> |
|---|---------|--|-------------------------------|-----------------------------|--|
|   |         | £  | £                             | £                           | £                                      |
| Chief Executive                         | 2014/15 | 89,392.13                                | 1,318.81                      | 13,485.01                   | 104,195.95                             |
|   | 2015/16 | 93,695.61                                | 1,280.13                      | 15,169.32                   | 110,145.06                             |
| Strategic Director                      | 2014/15 | 70,060.01                                | 1,242.58                      | 11,237.48                   | 82,540.07                              |
|   | 2015/16 | 71,701.77                                | 1,257.74                      | 11,405.16                   | 84,364.67                              |
| Strategic Director                      | 2014/15 | 70,529.32                                | 1,354.92                      | 11,237.47                   | 83,121.71                              |
|   | 2015/16 | 72,048.56                                | 1,357.70                      | 11,405.16                   | 84,811.42                              |
| Head of Central Services                | 2014/15 | 53,648.39                                | 1,277.83                      | 8,599.26                    | 63,525.48                              |
|   | 2015/16 | 55,524.08                                | 1,309.65                      | 8,701.44                    | 65,535.17                              |
| Head of HR & Communications             | 2014/15 | 53,474.41                                | 1,248.68                      | 8,599.26                    | 63,322.35                              |
|   | 2015/16 | 54,459.06                                | 1,249.01                      | 8,701.44                    | 64,409.51                              |
| Head of Communities &<br>Neighbourhoods | 2014/15 | 50,362.57                                | 1,266.50                      | 8,131.55                    | 59,760.62                              |
|   | 2015/16 | 51,344.48                                | 1,292.80                      | 8,228.04                    | 60,865.32                              |
| Head of Regulatory Services             | 2014/15 | 51,179.99                                | 1,392.18                      | 8,131.55                    | 60,703.72                              |
|   | 2015/16 | 51,422.66                                | 1,019.36                      | 8,228.04                    | 60,670.06                              |

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(3) of the Accounts and Audit Regulations 2015 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<br>cost band<br>(including<br>special<br>payments     | Number of<br>Compulsory<br>redundancies |         | Number of other<br>departures<br>agreed |         | Total number of exit<br>packages by cost<br>band |         | Total cost of exit<br>packages in each<br>band<br>£ |         |
|--|---|---------|---|---------|--|---------|---|---------|
|  | 2014/15                                 | 2015/16 | 2014/15                                 | 2015/16 | 2014/15  | 2015/16 | 2014/15   | 2015/16 |
| £0-£20,000   | 0                                       | 5       | 0                                       | 1       | 0  | 6       | 0   | 39,409  |
| £20,001-<br>£40,000  | 0                                       | 2       | 0                                       | 0       | 0  | 2       | 0   | 48,289  |
| £40,001-<br>£60,000  | 0                                       | 0       | 0                                       | 0       | 0  | 0       | 0   | 0       |
| £60,001-<br>£80,000  | 0                                       | 0       | 0                                       | 0       | 0  | 0       | 0   | 0       |
| £80,001-<br>£100,000   | 0                                       | 0       | 0                                       | 0       | 0  | 0       | 0   | 0       |
| £100,000-<br>£150,000  | 0                                       | 0       | 0                                       | 0       | 0  | 0       | 0   | 0       |
| <b>Total Cost<br/>included in<br/>bandings and<br/>in the CIES</b> | 0                                       | 7       | 0                                       | 1       | 0  | 8       | 0   | 87,698  |



### 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:

| 2014-15<br>£'000 |  | 2015-16<br>£'000 |
|------------------|--|------------------|
| 39               | Fees payable to the appointed auditor in respect of external audit services  | 43               |
| 23               | Fees payable to the appointed auditor for the certification of grant claims and returns                            | 29               |
| 18               | Fees payable in respect of any other services over and above the normal services provided by the appointed auditor | 0                |
| <b>80</b>        |  | <b>72</b>        |

Grant and certification audit fees paid in 2015/16 include £14,737 in respect of the audit and certification of the 2014/15 Housing Benefit Subsidy Claim and other certification work carried out by PwC, the Authority's previous external auditor.

### 31 GRANT INCOME

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

|   | 2014-15<br>£'000 | 2015-16<br>£'000 |
|---|------------------|------------------|
| <b>Credited to Taxation and Non-specific Grant Income</b> |                  |                  |
| LCC – Choose How You Move & Wheels to Work                | 101              | 0                |
| Waterfield Leisure Centre – Car Park                      | 0                | 17               |
| LLEP – Cattle Market Re-Development                       | 0                | 244              |
| Section 106 Contributions                                 | 5                | 40               |
| Department of Health – Warm Homes                         | 26               | 0                |
| Dog Statue  | 9                | 0                |
| Disabled Facilities Grants                                | 108              | 104              |
| LCC New Affordable Housing                                | 250              | 0                |
| Football Foundation – Leisure Vision                      | 0                | 50               |
| Transformation  | 0                | 20               |
| Skatepark   | 0                | 8                |
| Shout for Residents – Pay Equipment                       | 0                | 11               |
| Insurance contribution to Fire at Robin Crescent          | 33               | 0                |
| <b>Total</b>  | <b>532</b>       | <b>494</b>       |

| <b>Credited to Services</b>                                     | <b>2014-15<br/>As Re-Styled<br/>£'000</b> | <b>2015-16<br/>£'000</b> |
|---|---|--------------------------|
| Section 31 Grants   | 337                                       | 396                      |
| Positive Activities for Young People Grant                      | 17  | 2                        |
| Supporting People Grant   | 245                                       | 49                       |
| Family Intervention Project Funding & Supporting Leics Families | 305                                       | 160                      |
| Commissioning Children's Service & Extended Schools Funding     | 408                                       | 20                       |
| Flexible Support Funding  | 58  | 32                       |
| Priority Need Grant   | 21  | 0                        |
| Business Improvement District Contributions                     | 30  | 38                       |
| Integrated Youth Support Services Grant                         | 2   | 0                        |
| LLEP – Growing Places Funding (Cattle Market)                   | 50  | 0                        |
| Efficiency Support Sparse Areas Grant                           | 13  | 0                        |
| Individual Electoral Registration Funding                       | 23  | 25                       |
| New Burdens Grant   | 15  | 99                       |
| Transformational Challenge Award                                | 45  | 660                      |
| Early Help  | 53  | 6                        |
| Prevention Duty   | 0   | 10                       |
| Intensive Housing Management Service                            | 0   | 15                       |
| LA Data Sharing   | 12  | 7                        |
| Council Tax Support Discretionary Fund                          | 11  | 20                       |
| Landscape Capacity Study  | 19  | 0                        |
| Universal Credit Contribution                                   | 0   | 30                       |
| Food and Farming Local Development Order                        | 0   | 24                       |
| Parliamentary and European Elections                            | 0   | 59                       |
| Lightbulb Project   | 0   | 6                        |
| Capacity Building Programme                                     | 2   | 15                       |
| Heat and Eat  | 0   | 4                        |
| Sport and Physical Activity Commissioning                       | 163                                       | 119                      |
| Sure Start Children's Centres                                   | 52  | 51                       |
| Town Centre Investment Management                               | 15  | 30                       |
| Wheels to Work  | 305                                       | 219                      |
| Other Grants & Contributions                                    | 31  | 12                       |
| <b>Total</b>  | <b>2,232</b>                              | <b>2,108</b>             |

The 2014/15 figures have been restated to include a wider range of income codes relating to grants received and credited to services, which were previously omitted from this note. The 2015/16 figures have been completed on this basis and thus the re-statement ensures comparability.

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:

|   | 31 March 2015<br>£'000 | 31 March 2016<br>£'000 |
|---|------------------------|------------------------|
| <b>Capital Grant Receipts in Advance</b>      |                        |                        |
| Section 106 Monies                            | 58                     | 18                     |
| Melton Country Park Pavilion                  | 5                      | 5                      |
| Leisure Vision                                | 9                      | 9                      |
| <b>Total</b>                                  | <b>72</b>              | <b>32</b>              |
|   |                        |                        |
|   | 31 March 2015<br>£'000 | 31 March 2016<br>£'000 |
| <b>Revenue Grant Receipts in Advance</b>      |                        |                        |
| Health Forum Income                           | 7                      | 0                      |
| Town Centre Regeneration                      | 2                      | 4                      |
| Portas Funding                                | 4                      | 4                      |
| Council Tax Billing – Efficiency Project      | 9                      | 9                      |
| Vanguard funding                              | 22                     | 17                     |
| New Burdens Grants                            | 81                     | 25                     |
| Sainsbury Cost Contribution                   | 35                     | 0                      |
| Welland Wheels to Work Contributions          | 64                     | 64                     |
| Contribution towards Housing Strategy         | 4                      | 0                      |
| Housing Benefit Transitional monies           | 3                      | 0                      |
| Positive Activities for Young People          | 2                      | 0                      |
| Sports – Public Health and Post Natal Project | 7                      | 0                      |
| LCC Innovation Fund                           | 4                      | 0                      |
| Council Tax Transition Grant                  | 2                      | 0                      |
| Efficiency Support in Sparse Areas            | 4                      | 0                      |
| S106 Town Centre Linkages                     | 39                     | 0                      |
| S106 Darcy Gardens                            | 0                      | 7                      |
| Neighbourhood Planning Grant                  | 10                     | 45                     |
| Green Deal                                    | 7                      | 7                      |
| INSPIRE Grant                                 | 7                      | 5                      |
| Individual Electoral Registration             | 17                     | 7                      |
| Phoenix House Improvements                    | 8                      | 2                      |
| FERIS   | 2                      | 2                      |
| Early Help                                    | 6                      | 0                      |
| Real Time Info                                | 0                      | 2                      |
| Turbine Disposal                              | 0                      | 15                     |
| Disabled Facilities Grant Funding             | 0                      | 29                     |
| Local Development Order                       | 0                      | 26                     |
| Town Centre Investment Management             | 15                     | 0                      |
| <b>Total</b>                                  | <b>361</b>             | <b>270</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 2016 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 P Cumbers:
- a) Trustee of Shop Mobility which received a payment of £1,450 during the year together with a benefit in kind ie free energy costs
  - b) Councillor R de Burle:  
Finance Chair of Asfordby Parish Council which received payments of £124,330.02 in the year. This included the parish precept of £123,330.02.
  - c) Councillor M Sheldon:  
Chairman of Asfordby Parish Council which received payments of £124,330.02 in the year. This included the parish precept of £123,330.02.
  - d) Councillor P Posnett:  
Trustee of Melton Mowbray Bid Company Ltd for which £203,000 has been identified as expenditure.  
Trustee of Melton Learning Hub which received payments totalling £9,835.73 during the year.  
Trustee of Melton Mencap which received payments totalling £1,245 during the year.
  - e) Councillor T Culley:  
Chair of Residents Action Group Egerton (RAGE) which received benefit in kind ie free printing
  - f) Mr M Twitney, a councillor until 11<sup>th</sup> May 2015:  
An employee at Brooksby Melton College to whom payments totalling £125 were made in 2015-16.
  - g) No returns have been received from the following who were councillors until 11<sup>th</sup> May 2015: L Horton and J Moulding.

**Officers.** The following officers of the Council have 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 £9,835.73 during the year.

Dawn Garton:

Head of Central Services whose son was employed to deliver the Melton Mail and was paid an amount of £130.

Lynn Aisbett:

Chief Executive whose son was employed at the Parliamentary Election count and was paid an amount of £140.

### **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.

| 2014-15<br>£'000 |   | 2015-16<br>£'000 |
|------------------|---|------------------|
| 32,039           | <b>Opening Capital Financing Requirement</b>          | 31,635           |
|                  | <b>Capital Investment:</b>                            |                  |
| 2,622            | Property, Plant and Equipment                         | 2,896            |
| 0                | Investment Properties                                 | 0                |
| 243              | Intangible Assets                                     | 48               |
| 327              | Revenue Expenditure funded from Capital under statute | 502              |
|                  | <b>Sources of Finance</b>                             |                  |
| -814             | Capital Receipts                                      | -1,277           |
| -532             | Government Grants and other contributions             | -494             |
|                  | Sums set aside from revenue:                          |                  |
| -1,846           | Direct revenue contributions                          | -1,675           |
| -404             | (MRP/loans fund principal)                            | -13              |
| 0                | Use of Capital Receipts to repay General Fund CFR     | 0                |
| <b>31,635</b>    | <b>Closing Capital Financing Requirement</b>          | <b>31,622</b>    |

#### Explanation of Movements in Year

|             |   |            |
|-------------|---|------------|
| 0           | Increase in underlying need to borrow (supported by Government financial assistance)    | 0          |
| -404        | Increase in underlying need to borrow (un-supported by Government financial assistance) | -13        |
| <b>-404</b> | <b>Increase/ decrease (-) in Capital Financing Requirement</b>                          | <b>-13</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 £667,564 as at 31 March 2016.

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

|   | 31 Mar 2015   | 31 Mar 2016   |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Not later than 1 year                             | 25            | 26            |
| Later than one year and not later than five years | 113           | 116           |
| Later than five years                             | 26,483        | 26,454        |
|   | <b>26,621</b> | <b>26,596</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 2015 | 31 Mar 2016 |
|---|-------------|-------------|
|   | £'000       | £'000       |
| Not later than 1 year                             | 163         | 149         |
| Later than one year and not later than five years | 205         | 254         |
| Later than five years                             | 78          | 233         |
|   | 446         | 636         |

### 35 IMPAIRMENT LOSS

During 2015-16 there were no impairment losses recognised.

### 36 TERMINATION BENEFITS

The Authority terminated contracts for 8 employees in 2015-16, so incurring £88k in liabilities (£0 in 2014-15).

### 37 DEFINED BENEFIT PENSION SCHEMES

#### Participation in Pensions Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make 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>2014-15</b> | <b>2015-16</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Cost of Services:  |                |                |
| Current Service Cost   | 881            | 1,112          |
| Past Service Costs   | 0              | 9              |
| Gain(-)/Loss from Settlements  | 0              | 0              |
| Financing & Investment Income and Expenditure:   |                |                |
| Net Interest Expense   | 764            | 697            |
| <b>Total Post Employment Benefit Charged to the Deficit on the Provision of Services</b> | <b>1,645</b>   | <b>1,818</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)                  | 2,822         | -685         |
| Actuarial gains & losses arising on changes in demographic assumptions                             | 0             | 0            |
| Actuarial gains & losses arising on changes in financial assumptions                               | -6,323        | 6,962        |
| Other  | 349           | 676          |
| <b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b> | <b>-3,152</b> | <b>6,953</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 | 1,645 | 1,818 |

|  |            |            |
|--|------------|------------|
| Actual amount charged against the General Fund Balance for the pensions in the year: |            |            |
| Employers contribution payable to the scheme   | 813        | 859        |
| Retirement benefits payable to pensioners  | 74         | 73         |
|  | <b>887</b> | <b>932</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:

|  | 2014-15        | 2015-16        |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Present Value of the defined benefit obligation              | -48,443        | -42,431        |
| Fair Value of plan assets                                    | 27,979         | 27,893         |
| Sub Total  | -20,464        | -14,538        |
| Other movements in the liability/asset(-)                    | -1,238         | -1,097         |
| <b>Net liability arising from defined benefit obligation</b> | <b>-21,702</b> | <b>-15,635</b> |

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

|  | 2014-15       | 2015-16       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Opening fair value of scheme assets  | 24,414        | 27,979        |
| Interest Income  | 1,043         | 891           |
| Re-measurement gain/ loss(-):  |               |               |
| The return on plan assets, excluding the amount included in the Net interest expense | 2,822         | -685          |
| Other  |               |               |
| Contributions from employer  | 887           | 932           |
| Contributions from employees into the scheme   | 254           | 259           |
| Benefits paid  | -1,441        | -1,483        |
| <b>Closing fair value of scheme assets</b>   | <b>27,979</b> | <b>27,893</b> |

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

|  | 2014-15       | 2015-16       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Opening balance at 1 April   | 42,206        | 49,681        |
| Current Service Cost   | 881           | 1,112         |
| Interest Cost  | 1,807         | 1,588         |
| Contributions from scheme participants                                 | 254           | 259           |
| Remeasurement gain(-)/ loss:   |               |               |
| Actuarial gains/losses arising from changes in demographic assumptions | 0             | 0             |
| Actuarial gains/losses arising from changes in financial assumptions   | 6,323         | -6,962        |
| Other  | -349          | -676          |
| Past Service Cost  | 0             | 9             |
| Losses/gains(-) on curtailments  | 0             | 0             |
| Benefits paid  | -1,441        | -1,483        |
| <b>Closing balance at 31 March</b>                                     | <b>49,681</b> | <b>43,528</b> |

## Local Government Pension Scheme assets comprised:

|  | 2014-15       | 2015-16       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Equity Securities</b>                 |               |               |
| Other                                    | 868           | 762           |
| <b>Debt Securities</b>                   |               |               |
| UK Government                            | 1,535         | 1,473         |
| Other                                    | 1,151         | 1,148         |
| <b>Private Equity</b>                    |               |               |
| All                                      | 1,061         | 1,071         |
| <b>Real Estate</b>                       |               |               |
| UK Property                              | 2,651         | 2,841         |
| <b>Investment Funds and Unit Trusts:</b> |               |               |
| Equities                                 | 14,107        | 13,684        |
| Bonds                                    | 2,606         | 3,002         |
| Hedge Funds                              | 1,214         | 1,266         |
| Commodities                              | 1,176         | 599           |
| Infrastructure                           | 660           | 728           |
| Other                                    | 513           | 771           |
| <b>Derivatives</b>                       |               |               |
| Interest Rate                            | 157           | 0             |
| Foreign Exchange                         | 0             | -10           |
| <b>Cash and Cash Equivalents:</b>        |               |               |
| All                                      | 280           | 558           |
| <b>Total Assets</b>                      | <b>27,979</b> | <b>27,893</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 2017 using approximate method.

The significant assumptions used by the actuary have been:



|   | 2014-15 | 2015-16 |
|---|---------|---------|
| Mortality assumptions:                  |         |         |
| 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    |
| Rate of inflation                       | 2.4%    | 2.2%    |
| Rate of increase in salaries            | 4.3%    | 3.2%    |
| Rate of increase in pensions            | 2.4%    | 2.2%    |
| Rate of discounting scheme liabilities  | 3.2%    | 3.5%    |

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<br>£'000 | Decrease in assumption<br>£'000 |
|--|---------------------------------|---------------------------------|
| Longevity (increase in 1 year)                             | 1,306                           |                                 |
| Rate of increase in salaries (increase by 0.5%)            | 1,224                           |                                 |
| Rate of increase in pensions (increase by 0.5%)            | 3,063                           |                                 |
| Rate for discounting scheme liabilities (decrease by 0.5%) |                                 | 4,339                           |

#### 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 2017.

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 £927k in expected contributions to the scheme in 2016/17.

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

### 38 CONTINGENT LIABILITIES

At the 31 March 2016 the Council had two material contingent liabilities:

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 2018-19. The Valuation Office may also make alterations to the rating list back to 1 April 2010 for alterations made before 1 April 2016.

The Council is a defendant in proceedings brought by a group of Property Search companies for refunds of fees paid

to the Council to access land charges data. In the current litigation the council faces full costs of £28,528 should the claim be lost.

## 39 CONTINGENT ASSETS

At the 31 March 2016 the Council had one material contingent asset:

Two defendants were successfully prosecuted for benefit fraud in December 2015. The Crown Court made an Order against them to pay compensation in the sum of £85k. It is highly unlikely they will be able to pay in full by 1<sup>st</sup> June 2016 and if they do not have exceptional circumstances for not paying a default custodial sentence of 18 months will be imposed. The Council would then have to apply to the Crown Court for receivers to be appointed to recover this money. A cost award was also made for £25k and no payment has been made for this either to date and we would have to take separate enforcement action to recover this money via the magistrates court. The council may need to instigate further proceedings to recover these payments.

## 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 4<sup>th</sup> February 2015 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £46m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £35.551m. 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 £39m 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 2015/16 was approved by Full Council on 4<sup>th</sup> February 2015 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 £17,650k 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 2016 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<br>£000s  | Historical<br>experience<br>of default<br>% (1) | Adjustment<br>for market<br>conditions<br>% | Estimated<br>maximum<br>exposure to<br>default<br>£000s | Estimated<br>maximum<br>exposure to<br>default<br>£000s |
|--------------|------------------|---|---|---|---|
| Bonds rated: | 31 March<br>2016 | 31 March<br>2016                                | 31 March<br>2016                            | 31 March<br>2016  | 31 March<br>2015  |
| 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 *  | 1,295            | 5.65%   | 5.65%                                       | 1,368   | 1,995   |
| Total        | 1,295            | N/A   | N/A   | 1,368   | 1,995   |

\* - 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 £890k of the £1.295m balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                        | 31 March 2016<br>£000s | 31 March 2015<br>£000s |
|------------------------|------------------------|------------------------|
| Less than three months | 154                    | 203                    |
| Three to six months    | 144                    | 51                     |
| Six months to one year | 161                    | 32                     |
| More than one year     | 431                    | 383                    |
| Total                  | 890                    | 669                    |

A continuing provision is made for writing off bad debts, the balance as at 31<sup>st</sup> March 2016 on the General Fund sundry debt provision is £245k and the balance on the sundry debt HRA provision is £41k.

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 2016<br>£000s | 31 March 2015<br>£000s |
|-----------------------|------------------------|------------------------|
| Less than 1 year      | 17,650                 | 16,450                 |
| Between 1 and 2 years | 0                      | 0                      |
| Between 2 and 3 years | 0                      | 0                      |
| More than 3 years     | 0                      | 0                      |
| Total                 | 17,650                 | 16,450                 |

### 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 2016 £000s | Actual 31 March 2015 £000s |
|------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| Less than 1 year       | 0                         | 100                       | 0                          | 0                          |
| 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                       | 2,098                      | 98                         |
| More than 10 years     | 0                         | 100                       | 29,315                     | 31,315                     |
| Total                  | n/a                       | 100                       | 31,413                     | 31,413                     |

## 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   | -294  |
| Increase in Government grant receivable for financing costs*   | 0     |
| Impact on Surplus or Deficit on the Provision of Services  | -294  |
| 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.

**Foreign exchange risk**- the Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to losses arising from movements in exchange rates

## 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.

| 2014-15       |  | 2015-16 |               |
|---------------|--|---------|---------------|
| £'000         |  | £'000   | £'000         |
|               | <b>Expenditure</b>   |         |               |
| 1,835         | Repairs and Maintenance  | 2,294   |               |
| 1,084         | Supervision and Management   | 1,254   |               |
| 75            | Rent, rates, taxes and other charges   | 88      |               |
| 966           | Depreciation & impairment of non-current assets  | 1,077   |               |
| 30            | Debt Management Costs  | 22      |               |
| 63            | Movement in the allowance for bad debts  | 42      |               |
| <b>4,053</b>  | <b>Total Expenditure</b>   |         | <b>4,777</b>  |
|               | <b>Income</b>  |         |               |
| 7,332         | Dwelling Rents   | 7,319   |               |
| 94            | Non-dwelling Rents   | 82      |               |
| 506           | Charges for services and facilities  | 713     |               |
| <b>7,932</b>  | <b>Total Income</b>  |         | <b>8,114</b>  |
| <b>-3,879</b> | <b>Net cost/ income (-) of HRA services as included in the Comprehensive Income &amp; Expenditure Statement</b>              |         | <b>-3,337</b> |
| 201           | HRA services share of Corporate & Democratic core  | 190     |               |
| -6            | HRA services share of Non-Distributed Costs  | 10      |               |
| <b>-3,684</b> | <b>Net Cost/ income (-) of HRA Services</b>  |         | <b>-3,137</b> |
|               | <b>HRA Share of the operating income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b> |         |               |
| -60           | Gain on sale of HRA non-current assets   | -230    |               |
| 1,172         | Interest Payable and similar charges   | 1,169   |               |
| -35           | Interest & Investment Income   | -54     |               |
| 50            | Pensions interest cost and expected return on pensions asset   | 71      |               |
| <b>-2,557</b> | <b>Deficit/ Surplus(-) for the year on HRA Services</b>  |         | <b>-2,181</b> |

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

| 2014-15       |   | 2015-16       |  |
|---------------|---|---------------|--|
| £'000         |   | £'000         |  |
| <b>-1,333</b> | Balance on HRA at end of previous year  | <b>-1,120</b> |  |
| -2,557        | Deficit/ surplus (-) for the year on the HRA Income and Expenditure Statement | -2,181        |  |
| 20            | Adjustments between accounting basis and funding basis under statute          | 132           |  |
| <b>-2,537</b> | <b>Net decrease/increase (-) before transfers to/from reserves</b>            | <b>-2,049</b> |  |
| 2,750         | Transfers from(-)/to earmarked reserves                                       | 1,710         |  |
| <b>213</b>    | <b>Increase in the year on the HRA</b>  | <b>-339</b>   |  |
| <b>-1,120</b> | <b>Balance on the HRA at end of current year</b>                              | <b>-1,459</b> |  |

## NOTE TO THE MOVEMENT ON THE HRA STATEMENT

| 2014-15      |   | 2015-16      |
|--------------|---|--------------|
| £'000        |   | £'000        |
|              | <b>Adjustments between Accounting basis and funding basis under statute</b> |              |
| 0            | Difference between interest payable and similar charges                     | 0            |
| 17           | Accumulated Absences accrual  | -4           |
| 60           | Gain on sale of non-current assets  | 230          |
| -57          | HRA Share of contributions to/from the Pensions Reserve                     | -94          |
| 0            | Capital Expenditure Funded by the HRA                                       | 0            |
| 0            | Revenue expenditure funded from Capital Under statute                       | 0            |
| <b>20</b>    |   | <b>132</b>   |
|              | <b>Transfers to/from (-) Reserves</b>                                       |              |
| 736          | Transfer to Major Repairs Reserve   | 437          |
| 14           | Transfer from Capital Adjustment Account                                    | 0            |
| 2,000        | Transfers to other Reserves   | 1,273        |
| <b>2,750</b> |   | <b>1,710</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

| 2014-15      |                         | 2015-16      |
|--------------|-------------------------|--------------|
| Dwellings    |                         | Dwellings    |
| 1,872        | <b>At 1 April</b>       | 1,871        |
| 10           | Sold during year        | 19           |
| 1            | Converted in year       | 0            |
| 10           | Purchased/Built in year | 0            |
| <b>1,871</b> | <b>At 31 March</b>      | <b>1,852</b> |

### 2 Type of Dwelling

| 2014-15      |                       | 2015-16      |
|--------------|-----------------------|--------------|
| Dwellings    | <b>At 31 March</b>    | Dwellings    |
| 873          | Houses                | 854          |
| 284          | Bungalows             | 284          |
| 714          | Flats and maisonettes | 714          |
| <b>1,871</b> |                       | <b>1,852</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                  |               |
| Net book value 31 March 2015   | 67,886             | 2,899                  | 0                                | 283                    | 71,068        |
| Revaluation Adjustment   | 63                 | 879                    | 0                                | 18                     | 960           |
| <b>Net Book Value 1 April 2016</b>   | <b>67,949</b>      | <b>3,778</b>           | <b>0</b>                         | <b>301</b>             | <b>72,028</b> |
| <b>Movement in 2015-16</b>   |                    |                        |                                  |                        |               |
| Spending in Year   | 1,476              | 0                      | 0                                | 0                      | 1,476         |
| Disposals  | -787               | 0                      | 0                                | 0                      | -787          |
| Reclassification   | -301               | 167                    | 0                                | -182                   | -316          |
| Transfers  | 0                  | 0                      | 0                                | 0                      | 0             |
| Revaluation increase/decrease recognised in the Revaluation Reserve                          | 2,812              | 114                    | 0                                | 10                     | 2,936         |
| Revaluation increase/decrease recognised in the surplus/deficit on the provision of services | 0                  | 0                      | 0                                | -8                     | -8            |
| Depreciation / Amortisation  | -951               | -114                   | 0                                | -3                     | -1,068        |
| <b>Net book value at 31 March 2016</b>   | <b>70,198</b>      | <b>3,945</b>           | <b>0</b>                         | <b>118</b>             | <b>74,261</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 2015-16 the valuer has altered the property values in the HRA reflecting the current condition of the housing market.

19 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.

### 4 Assets Held For Sale

|   | Current          |                  | Non-Current      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2014-15<br>£'000 | 2015-16<br>£'000 | 2014-15<br>£'000 | 2015-16<br>£'000 |
| <b>Balance outstanding at start of year</b> | <b>0</b>         | <b>0</b>         | <b>206</b>       | <b>128</b>       |
| Assets newly classified as held for sale    | 0                | 0                | 128              | 316              |
| Revaluation Gains                           | 0                | 0                | 0                | 0                |
| Assets declassified as held for sale        | 0                | 0                | 0                | 0                |
| Assets Sold                                 | 0                | 0                | -206             | -128             |
| <b>Balance outstanding at year end</b>      | <b>0</b>         | <b>0</b>         | <b>128</b>       | <b>316</b>       |

At 31 March 2016 it was considered by the Council's legal team that there were 6 dwellings which were virtually certain to complete on Right to Buy terms during the following year. These properties have therefore been reclassified 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 but one case was the lower, so a small revaluation loss of £6,800 has been identified and is showing under dwellings in note 3.

### 5 Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the HRA at 1 April 2015 was £200m and at 31 March 2016 had increased to £207m.

## 6 Economic Cost of Providing Council Housing

The valuation at 1 April 2015 of £68m and at 31 March 2016 of £70m is lower than the vacant possession value on the open market of £200m and £207m 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 latest Department of Communities & Local Government's Guidance on Stock Valuations as available at the time the accounts were closed.

## 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. 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 £8k 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

| 2014-15      |   | 2015-16      |
|--------------|---|--------------|
| £'000        |   | £'000        |
| 2,282        | Dwellings   | 1,476        |
| 0            | Revenue expenditure funded from capital under statute | 0            |
| <b>2,282</b> |   | <b>1,476</b> |
| 0            | Borrowing   | 0            |
| 100          | New Homes Bonus Reserve                               | 0            |
| 0            | Useable capital receipts                              | 0            |
| 200          | Capital Receipts Reserve                              | 0            |
| 0            | HRA Working Balance                                   | 0            |
| 660          | Major Repairs Reserve                                 | 1,427        |
| 1,039        | Development & Regeneration Reserve                    | 49           |
| 283          | Contribution from Third Party                         | 0            |
| <b>2,282</b> |   | <b>1,476</b> |

### Summary of Capital Expenditure

| 2014-15      |   | 2015-16      |
|--------------|---|--------------|
| £'000        |   | £'000        |
| 128          | Aids and Adaptations                        | 84           |
| 154          | Major Void Repairs                          | 192          |
| 30           | Communal Refurbishment                      | 139          |
| 95           | Replacement Heating Systems                 | 259          |
| 32           | Re-roofing                                  | 508          |
| 20           | Windows and Doors replacement               | 47           |
| 43           | New Kitchens & Bathrooms                    | 126          |
| 32           | Rewiring                                    | 63           |
| 1,549        | New Build Projects                          | -31          |
| 41           | Long Term Housing Development Projects      | 0            |
| 42           | Fire Safety & Health & Safety related Works | 31           |
| 35           | Refurbishment of fire damaged property      | 1            |
| 81           | Capitalisation of salaries                  | 57           |
| <b>2,282</b> |   | <b>1,476</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:

| 2014-15    |                 | 2015-16      |
|------------|-----------------|--------------|
| £'000      |                 | £'000        |
| 466        | Dwellings       | 1,171        |
| 9          | Land            | 0            |
| 0          | Discount Repaid | 0            |
| <b>475</b> |                 | <b>1,171</b> |

## 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 1.68%.

| 2014-15       |   | 2015-16       |
|---------------|---|---------------|
| £'000         |   | £'000         |
| <b>31,876</b> | <b>CFR at 1 April</b>   | <b>31,484</b> |
|               | Movement in year:   |               |
| -14           | Voluntary Revenue Provision   | 0             |
| -378          | Repayment of borrowing 30.3.15  | 0             |
| 31,484        | CFR at 31 March   | 31,484        |
| <b>31,873</b> | <b>Mid Year CFR</b>   | <b>31,484</b> |
| N/A           | Consolidated Interest Rate for Year                                       | N/A           |
| 1,171         | Interest Paid Direct on External Borrowing                                | 1,168         |
| <b>1</b>      | <b>Capital Asset Charges Accounting Adjustment/Internal Interest Paid</b> | <b>1</b>      |

## 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 2015-16 £1,068k depreciation has been charged to the HRA.

## 12 HRA Reserves

### Major Repairs Reserve

| 2014-15      |   | 2015-16      |
|--------------|---|--------------|
| £'000        |   | £'000        |
| 1,647        | Balance brought forward 1 April         | 2,299        |
| 954          | Cash backed Depreciation from the HRA   | 1,068        |
| 0            | Decent Homes Funding                    | 0            |
| -660         | Capital Expenditure – Dwellings         | -1,427       |
| -378         | Repayment of Borrowing Principal        | 0            |
| 736          | Transfer from the HRA                   | 440          |
| <b>2,299</b> | <b>Balance carried forward 31 March</b> | <b>2,380</b> |

## Development & Regeneration Reserve

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

| 2014-15<br>£'000    |  | 2015-16<br>£'000    |
|---------------------|--|---------------------|
| 1,406               | Balance brought forward 1 April                  | 2,367               |
| 2,000               | Transfer from the HRA                            | 1,273               |
| <u>-1,039</u>       | Capital Expenditure – Development & Regeneration | <u>-49</u>          |
| <b><u>2,367</u></b> | <b>Balance carried forward 31 March</b>          | <b><u>3,591</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  | 2014-15<br>£'000 | 2015-16<br>£'000 |
|---|------------------|------------------|
| Service Cost:   |                  |                  |
| Current Service Cost  | 65               | 94               |
| Net Interest:   |                  |                  |
| Interest Cost on defined benefit obligation                                       | 119              | 162              |
| Interest Income on plan assets  | <u>-69</u>       | <u>-91</u>       |
| <b>Total Defined Benefit Cost Recognised in Income &amp; Expenditure Account</b>  | <b>115</b>       | <b>165</b>       |
| Statement of Movement in the HRA Balance:   |                  |                  |
| Reversal of Net Charges made for retirement benefits<br>In accordance with IAS 19 | -115             | -165             |
| Actual amount charged against the HRA for the pensions<br>In the year:            |                  |                  |
| Employers Contributions Payable to Scheme   | 58               | 71               |

## 14 Rent Arrears

At 31 March 2016 rent arrears (including ancillary services) as a proportion of gross rent debit were 6.0% (31 March 2015 – 6.5%). The arrears figures excluding amounts collectable on behalf of other agencies are as follows:-

| 2014-15<br>£'000  |                             | 2015-16<br>£'000  |
|-------------------|-----------------------------|-------------------|
|                   | <u>Arrears at 31 March:</u> |                   |
| 324               | Current Tenants             | 274               |
| 183               | Former Tenants              | 200               |
| <b><u>507</u></b> |                             | <b><u>474</u></b> |

At 31 March 2016, the total arrears (including amounts collectable on behalf of other agencies) are £510k (31 March 2015 £545k which was the basis of the disclosure in the 2014-15 financial statements).

## 15 Doubtful Debts Provision of Uncollectable Debts

| 2014-15    |                                 | 2015-16    |
|------------|---------------------------------|------------|
| £'000      |                                 | £'000      |
| 350        | Housing Rents, Fees and Charges | 315        |
| 42         | Sundry Receivables              | 41         |
| <u>392</u> |                                 | <u>356</u> |

During the year £78k (2014-15 £76k) 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 2015-16 there was no transfer from the HRA to the General Fund on this basis and nor was there in 2014-15.

## 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.

| 2014-15   | 2014-15            | 2014-15 |  | 2015-16     | 2015-16            | 2015-16 |
|---|--------------------|---------|--|-------------|--------------------|---------|
| 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> |                    |         |  |             |                    |         |
| 26,848  |                    | 26,848  | Council Tax  | 27,600      |                    | 27,600  |
| -26   |                    | -26     | Transfers from the General Fund - Council Tax Benefits       | -1          |                    | -1      |
|   | 13,105             | 13,105  | Non-domestic rates   |             | 13,729             | 13,729  |
|   | 0                  | 0       | Transitional protection payments - non-domestic rates        |             | 0                  | 0       |
| 24  | 284                | 308     | Contribution towards previous year's collection fund deficit | -73         | 0                  | -73     |
| <b>Amounts Required by statute to be debited to the Collection Fund:</b>  |                    |         |  |             |                    |         |
| Precepts & demands from major preceptors - Council Tax:                   |                    |         |  |             |                    |         |
| 18,823  |                    | 18,823  | Leicestershire County Council                                | 19,416      |                    | 19,416  |
| 3,138   |                    | 3,138   | Melton Borough Council                                       | 3,232       |                    | 3,232   |
| 3,125   |                    | 3,125   | Police & Crime Commissioner for Leicestershire               | 3,224       |                    | 3,224   |
| 1,049   |                    | 1,049   | Combined Fire Authority                                      | 1,082       |                    | 1,082   |
| 527   |                    | 527     | Parish Councils  | 538         |                    | 538     |
| Shares of Non-domestic rating income to major preceptors:                 |                    |         |  |             |                    |         |
|   | 1,115              | 1,115   | Leicestershire County Council                                |             | 1,186              | 1,186   |
|   | 4,956              | 4,956   | Melton Borough Council                                       |             | 5,272              | 5,272   |
|   | 124                | 124     | Combined Fire Authority                                      |             | 132                | 132     |
|   | 6,195              | 6,195   | Payment with respect to central share                        |             | 6,591              | 6,591   |
|   | 11                 | 11      | Transitional protection payments receivable                  |             | 19                 | 19      |
|   |                    | 0       | Distribution of previous year's estimate surplus             |             | 300                | 300     |
| Disregarded Amounts:  |                    |         |  |             |                    |         |
|   |                    | 0       | Renewable Energy   |             | 82                 | 82      |

| 2014-15     | 2014-15            | 2014-15    |  | 2015-16     | 2015-16            | 2015-16    |
|-------------|--------------------|------------|--|-------------|--------------------|------------|
| Council Tax | Non-Domestic Rates | Total      |  | Council Tax | Non-Domestic Rates | Total      |
| £'000       | £'000              | £'000      |  | £'000       | £'000              | £'000      |
|             |                    |            | Impairments of Debts/appeals:  |             |                    |            |
| 161         | 74                 | 235        | Write-offs or uncollectable amounts  | 288         | 156                | 444        |
| 18          | 164                | 182        | Allowance for impairment   | -72         | 361                | 289        |
|             | 61                 | 61         | Charge to General Fund for allowable collection costs for non-domestic rates         |             | 63                 | 63         |
|             | 0                  | 0          | Other transfers to collection fund in accordance with non-domestic rates regulations |             | 1                  | 1          |
| -5          | -689               | -694       | <b>Movement on Fund Balance</b>  | <b>182</b>  | <b>434</b>         | <b>616</b> |
| <b>59</b>   | <b>636</b>         | <b>695</b> | <b>Opening Fund Balance</b>  | <b>54</b>   | <b>-53</b>         | <b>1</b>   |
| <b>54</b>   | <b>-53</b>         | <b>1</b>   | <b>Closing Fund Balance</b>  | <b>236</b>  | <b>381</b>         | <b>617</b> |

#### Bad Debt Provision – Summary (Memorandum)

|                | Balance<br>31 March<br>2015<br>£'000 | Write-offs<br>£'000 | Increased<br>Provision<br>£'000 | Reduced<br>Provision<br>£'000 | Balance<br>31 March<br>2016<br>£'000 |
|----------------|--------------------------------------|---------------------|---------------------------------|-------------------------------|--------------------------------------|
| Business Rates | 172                                  | -156                | 121                             | 0                             | 137                                  |
| Council Tax    | 222                                  | -222                | 150                             | 0                             | 150                                  |
|                | <b>394</b>                           | <b>-378</b>         | <b>271</b>                      | <b>0</b>                      | <b>287</b>                           |

#### NOTES TO COLLECTION FUND STATEMENT

##### 1 Council Tax Base

| <u>Band</u>  | <u>Range of Values</u>           | Number of Properties<br>(Valuation List March<br>2016) | Council Tax Base Band<br>D Equivalents* |
|--------------|----------------------------------|--|---|
| A*           | Adapted for disabled use         | 0  | 2                                       |
| A            | Up to £40,000                    | 3,569  | 1,595                                   |
| B            | Over £40,000 and up to £52,000   | 7,064  | 4,334                                   |
| C            | Over £52,000 and up to £68,000   | 3,745  | 2,842                                   |
| D            | Over £68,000 and up to £88,000   | 3,470  | 3,111                                   |
| E            | Over £88,000 and up to £120,000  | 2,326  | 2,626                                   |
| F            | Over £120,000 and up to £160,000 | 1,382  | 1,864                                   |
| G            | Over £160,000 and up to £320,000 | 934  | 1,450                                   |
| H            | Over £320,000                    | 90   | 166                                     |
| <b>Total</b> |                                  | <b>22,580</b>  | <b>17,990</b>                           |

\* Used for the purpose of setting the Council Tax for 2015-16

## 2 Non Domestic Rates

|   |             |
|---|-------------|
| Non Domestic Rateable Value at 31 March 2016              | £34,658,054 |
| Rate Multiplier for 2015-16 – up to and including £18,000 | 48.1        |
| – £18,001 and over  | 49.7        |

## 3 Collection Fund Arrears

| 2014-15 |              |                         | 2015-16 |              |
|---------|--------------|-------------------------|---------|--------------|
| £'000   | £'000        |                         | £'000   | £'000        |
| 766     |              | Business Ratepayers     | 625     |              |
| -172    |              | Provision for Bad Debts | -137    |              |
| <hr/>   | 594          |                         | <hr/>   | 488          |
| 2,500   |              | Council Taxpayers       | 2,089   |              |
| -222    |              | Provision for Bad Debts | -150    |              |
| <hr/>   | 2,278        |                         | <hr/>   | 1,939        |
|         | <b>2,872</b> |                         |         | <b>2,427</b> |
|         | <hr/>        |                         |         | <hr/>        |

## 4 Collection Rate

The collection rate for accounts raised in 2015-16 was 99.1% (2014-15:99.1%).



## **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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**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**