Statement of Accounts

Audited Accounts for Year Ended 31 March 2018

Blaby District Council

the heart of Leicestershire

BLABY DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2017/18

NARRATIVE REPORT BY SARAH PENNELLI, STRATEGIC DIRECTOR (SECTION 151)

I am pleased to present Blaby District Council's Statement of Accounts for the financial year ended 31st March 2018. The published accounts are an important element of the overall arrangements for demonstrating the Council's financial stewardship of public money, and also provide the context for the challenging financial position it faces going forward.

The financial year ending 31st March 2018 is the first year in which the unaudited accounts must be produced by 31st May, a month earlier then previously required by the Accounts and Audit Regulations. I am pleased to say that this deadline has been achieved thanks to the hard work of the Finance team, supported by officers from across the Council. The preparation of the 2017/18 accounts in a timely manner, once again by the earlier deadline, enables the Council to finalise its consideration of the 2017/18 financial position and to move on to address the many challenges that 2018/19 will bring.

Due to time constraints involved with the preparation of the accounts it has not been possible to make the unaudited accounts available to the Audit Committee for review. However, the external auditors, Ernst & Young (EY), will commence the audit of accounts on 4th June 2018 and the audited accounts will be presented to Audit Committee for approval on 26th July 2018. The deadline for publishing the audited accounts has also been brought forward from 30th September to 31st July, adding further pressure to the closedown process.

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code). It aims to provide sufficient information to ensure that members of the public, including electors and residents of Blaby, Council Members, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the outturn for 2017/18;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

This Narrative Report provides an organisational overview of Blaby District Council and the external environment within which it operates. It also provides a summary of the financial position at 31st March 2018, including the following:

- About Blaby – key facts and figures
- The Blaby Plan
- The 2017/18 Budget and Council Tax Setting Process
- The Capital Programme 2017/18
- The Council's financial performance in 2017/18
- Performance against Corporate Objectives
- Corporate risks
- Summary position
- Receipt of further information
- Acknowledgements

This is followed by an explanation of the Financial Statements and content of the Statement of Accounts.

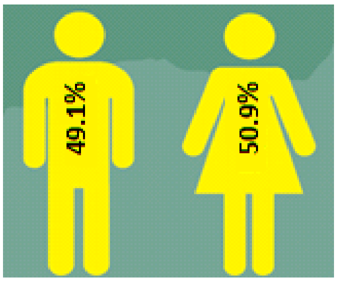
About Blaby District Council

Blaby District Council is located in the south west corner of Leicestershire within the East Midlands region. It is one of seven districts within the County, also bordering the City of Leicester.

Blaby District covers a geographical area of about 129 km^{2,} and is a mix of urban and rural areas with a diverse nature and size of settlements. The District is home to nearly 96,500 people (2015 estimates) living in 41,871 households.

Key Facts and Information about Blaby

The table below shows the age profile of residents living within Blaby District compared with Leicestershire as a whole, the East Midlands, and England.



Male Female

	Blaby	Leicestershire	East Midlands	England
Age	2016	2016	2016	2016
0-19	23.2%	23.7%	23.3%	24.0%
20 to 64	56.8%	57.7%	57.7%	58.3%
65 to 84	17.5%	16.8%	16.6%	15.9%
85 and over	2.5%	1.8%	2.4%	1.8%

The average life expectancy of our residents is slightly above the national average at nearly 81 years for men and 85 years for women (80 and 83 years nationally).

In terms of ethnicity, 88.5% of residents are White British and 11.5% are from Minority Ethnic Groups.

Blaby is well linked to major transport networks with the M1 and M69 both within the district, the M6 just south of the district, train links to Leicester and Birmingham, and 2 international airports less than 1 hour away. These links contribute to making Blaby District an attractive place for businesses to locate. The Fosse Park retail park is located just off of junction 21 of the M1, and attracts around 250,000 shoppers per week. The district is home to the headquarters of major businesses such as Next, Everards and Santander, as well as the main offices of Leicestershire County Council and the Office of the Police and Crime Commissioner.

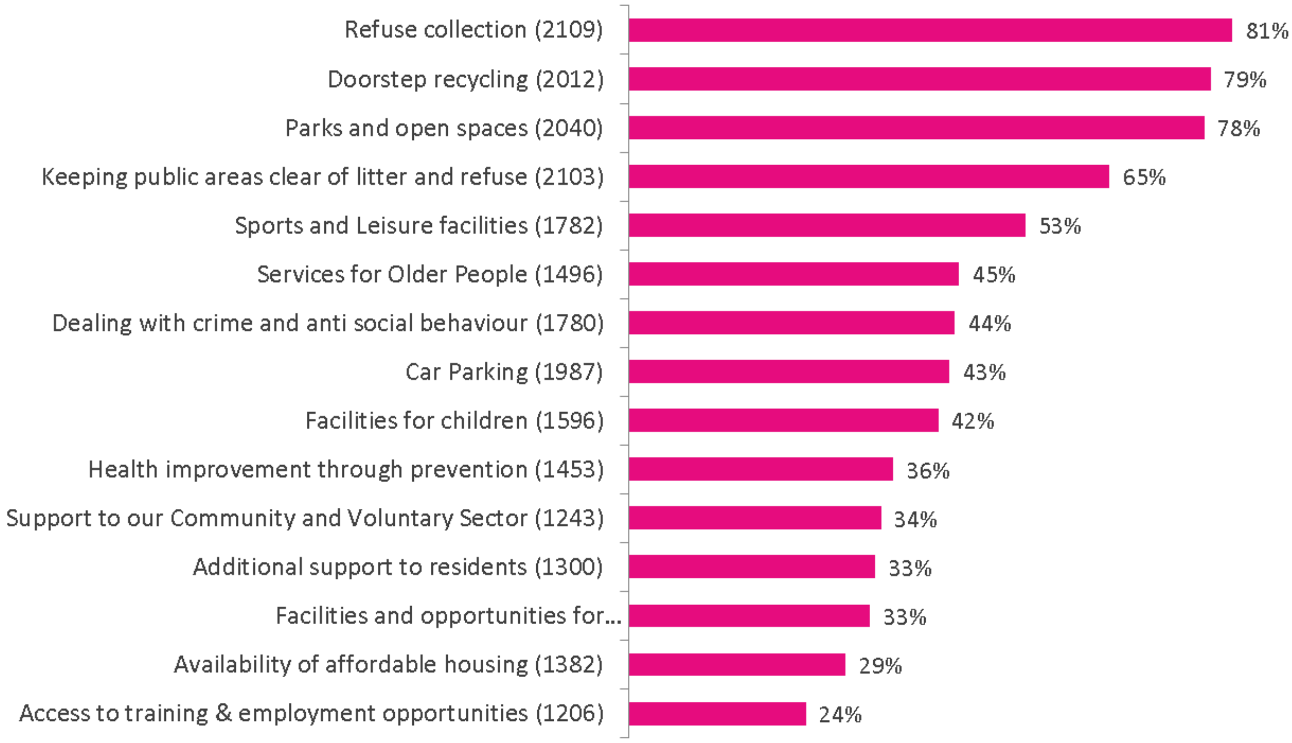
The proportion of people claiming out of work benefits as of April 2018 stands at 0.8% compared with 2.2% nationally. In February 2017 this figure stood at 0.7% within the district. At the end of 2016 the percentage of young people “Not in Education, Employment or Training” (NEET) was 5.1% in Leicestershire compared with the national figure of 6.0%. 81% of residents own their own home and the average house price is £228,163 (Sept 2017) which is over 7 times the average net household income of £30,967 (in 2015/16).

Health and recreation is well catered for in the district. We have nine strategic green spaces including the Green Flag Award-winning Glen Parva Local Nature Reserve, Bouskell Park in Blaby, and Fosse Meadows in the south of the district. Our community garden ‘A Place to Grow’ helps to support positive health and wellbeing. The Council owns two leisure centres, one at Enderby which is operated by SLM Limited, and the Pavilion at Huncote which is currently run in house. 83% of our residents say they are in good health, which compares favourably with the national average of 81%. However, 16% of residents say they have a long term health problem or disability. The provision of unpaid care is becoming increasingly common, with 11% of the local population declaring that they provide 1 hour or more unpaid care for others compared to the national average of 10%.

Blaby is ranked as the 39th least deprived district in England.

The Council does not manage its own housing stock, having undergone a large scale voluntary transfer to Three Oaks Homes (now East Midlands Homes Housing) in November 2008. Affordable housing remains a key issue for the Council.

We undertook a Residents Survey in early 2018, receiving over 2,000 responses. Overall the percentage of residents who are satisfied with our services has risen from 86% in 2015 to 91% in 2018. However, at the same time 9% of respondents said that they are dissatisfied with the service, up from 4% in 2015. The chart overleaf gives an overview of residents’ satisfaction with our key services, taken from the 2018 survey.



Figures appearing in brackets represent the number of respondents to each question.

Political Structure

The Council comprises 39 elected members across 18 wards. Elections are held every four years with the next District Election to be held in May 2019.

The Council has a majority Conservative administration, with 29 (75%) members. There are 6 (15%) Labour members and the Liberal Democrats have 4 (10%) members. The Leader of the Council is Councillor Terry Richardson (Conservative), and the Deputy Leader is Councillor Maggie Wright (Conservative). There are six Cabinet Members who make key decisions which are detailed in the Forward Plan and the Schedule of Executive Decisions. Major items of policy, such as the setting of the Council's budget, are decided by all members at Full Council meetings. The majority of non executive members serve on Scrutiny Working Groups with 18 members making up the Scrutiny Commission.

In terms of the demographic make up, 12 (31%) of the 39 members are female. The average age of members is 56 years. 5% of members are from a black and minority ethnic background.

The need for succession planning has been recognized and measures have been implemented to grow skills and experience amongst our members in order to reduce the gap between Cabinet roles and back benchers.

Planning masterclasses have been made available to all members in light of the requirement to deliver significant growth within the district. As a consequence we believe that members are sufficiently well informed to be able to support the Strategic Growth Plan for Leicestershire, which is currently out for consultation.

Management Structure

Corporate management is provided by the Strategic Leadership Team (SLT) which is responsible for implementing the strategic goals of the Council as decided by Members.

In December 2017 the Council's Chief Executive undertook a review of the SLT which, whilst not changing the overall numbers, reflected the aspiration of working in a more joined up manner, and introduced specialist strategic posts for Human Resources and Finance.

The SLT now comprises the following officers:

- The Chief Executive
- Strategic Director (Section 151)
- Strategic Director
- Corporate Services Group Manager (Monitoring Officer)
- Housing and Community Services Group Manager
- Leisure and Regulatory Services Group Manager
- Neighbourhood Services and Assets Group Manager
- Planning and Economic Development Group Manager
- HR Strategic Manager
- Finance Strategic Manager

Workforce

The Council's workforce has remained fairly stable. On 31st March 2018 the Council employed 322 members of staff working across a range of services, compared with 310 on 31st March 2017. The number of full time equivalents (FTEs) at 31st March 2018 was 293.07.

Staff Breakdown			
Category	**%**	**Category**	**%**
Gender %		**Ethnicity %**	
Females	**57.45**	**Asian or Asian British-Indian**	**3.41**
Males	**42.55**	**Other**	**0.31**
Disability %		**Black British**	**0.62**
Employees with a disability	**5.26**	**Mixed heritage (white and black)**	**0.31**
Age Bandings %		**White- any other white background**	**4.33**
Age 0-18	**0.93**	**White and Asian**	**0.62**
Age 18-30	**12.11**	**White British**	**82.35**
Age 31-40	**18.01**	**White- Irish**	**0.62**
Age 41-50	**29.19**	**Undeclared- preferred not to specify**	**7.43**
Age 51-60	**32.00**		
Age 60+	**7.76**		

At the end of March 2018 sickness stood at an average of 8.46 days per employee compared with 7.82 days for 2016/17.

The Blaby Plan

Council approved a new Blaby Plan, covering the period 2018 to 2021, on 12th December 2017. The plan serves as a roadmap for Members, partners and Council officers, and demonstrates to our customers that the Council has the interests of the district at heart.

In developing the new Blaby Plan we have considered data such as the level of unemployment in the district, demographics and health statistics as well as reviewing the work we are doing with partners around the growth of the district, and key public sector partners on health, public safety and wellbeing. Through the plan we have shaped a set of priorities and objectives that reflect the aspirations that the Council has for its residents, as well as ensuring that we deliver a sustainable Council in the future.

The following significant issues have been identified:

- Although the district is considered to be one of the least deprived areas in the country, there are parts of the district that are in greater need. We need to support these areas in particular to ensure that inequalities are reduced.
- There are vulnerable people within all of our communities, who may have more significant needs to be able to live and access opportunities fairly and lead fulfilling lives.
- Businesses need a wide skill set to operate successfully. It is vital that residents are equipped with the necessary education and skills to gain high quality jobs within local businesses to ensure the prosperity of the district as a whole.
- It is important to recognise our existing historic areas of natural beauty and public facilities. We also have many new, exciting leisure facilities under development. We need to support and encourage all of these facilities and promote the district as a place to visit.
- When considering new development and access to existing services and jobs, the design of supporting infrastructure needs to be taken into account.

Our Vision

Blaby District is made up of thriving and vibrant communities where people are happy to live, work and visit.

Our Corporate Priorities and Objectives

Our priorities are, therefore, that Blaby is:

- A Place to Live
- A Place to Work
- A Place to Visit

Key objectives will sit below each priority and services will develop operational action plans which support the delivery of those objectives.

Our Values

- Put the customer at the heart of everything we do.
- Listen, learn and make a positive difference.
- Continue to build and maintain strong partnerships
- Be ambitious, creative and resourceful.

The vision and values reflect our commitment to improving our services through Systems Thinking principles, focussing on what is important and meeting the needs of customers.

The delivery of the Blaby Plan will be monitored by both the Senior Leadership Team and Scrutiny Commission. A high level annual action plan, based upon Services' own operational business plans, will be presented to Members at the beginning of each financial year.

Financial Management

We recognise the importance of not only planning what we want to achieve in the future, but also how we can afford to do this. Our Medium Term Financial Strategy (MTFS) covers the 4 year period 2016/17 to 2019/20 and sets out how we plan to deploy our resources over that period in order to deliver our priorities. Financial resources will continue to be aligned with these priorities and a structured approach taken to meeting any funding gaps that may present themselves. Accordingly, the forward projection of our financial position is updated annually alongside the budget setting process.

The Council submitted an efficiency plan to the Department for Communities and Local Government (DCLG) in October 2016 and accepted the offer of a 4 Year Settlement, which spanned the financial years 2016/17 to 2019/20. This provided the Council with a little more certainty as to the size of its funding envelope up to 2019/20, albeit that uncertainty remains in respect of certain key areas such as Business Rates Retention and the future of New Homes Bonus.

Beyond 1st April 2020 funding levels remain uncertain due to the potential implications of the Fairer Funding Review and changes to the Business Rates Retention model. It is not unrealistic to assume there will continue to be funding reductions or higher demand placed upon the Council. Consequently it is important that the Council understands the potential future shortfall in funding so it is best placed to make decisions at an early stage.

We will continue to place emphasis on council tax collection, building houses in the district to generate income through the 'New Homes Bonus', revenue generation and supporting economic development in order to increase Business Rates. The financial risks underpinning these funding streams have been considered and incorporated within the MTFS 2016/17 – 2019/20. Sitting behind the MTFS is the 'Closing the Gap' programme (Blaby District Council Efficiency Plan 2016/17 to 2019/20). This is led by members of the Senior Leadership Team with all employees and Members playing a role. It is through this programme that efficiency initiatives are put forward; income generation ideas are investigated and discussion commences with Members at an early stage for decisions to be taken in advance of financial gaps emerging.

Blaby District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, The Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk. Our governance framework of the processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community is set out in our Annual Governance Statement. Our external auditors have, over the years, consistently issued an unqualified audit opinion on the Annual Statement of Accounts in their Report to those charged with governance.

People Strategy

The Council recognises that our employees are our most valuable asset and our most significant resource. The best way of continuing to deliver high quality services to our residents is to ensure that our workforce has the right skills and support to succeed. We value the views and ideas of our employees and care about their development and well-being. Therefore, it is important for us to engage with and communicate with employees in various ways. We undertake a bi-annual Staff Survey to gauge staff satisfaction, views on the workplace and what is stopping them doing their job to the best of their abilities. More regular communication channels are through monthly 'Blaby Matters' briefings to all staff, 'Sounding

Board' meetings between senior managers and a group of officers, weekly team meetings, and our intranet site (i-Blaby).

In recognition of the importance of our employees The People Strategy sets out our ambitions around equipping our staff to enable them to best deliver the Council's priorities. Without motivated and empowered staff we cannot deliver our ambitious plans. It builds upon firm foundations of our previous strategies and continues to develop a range of workforce initiatives. The aims included within the strategy are linked to the council's values and overarching principles, the responses from the Staff Survey and also feedback from the staff Sounding Board.

A detailed action plan is in place to monitor progress on the necessary tasks and to ensure its success. The annual action plan will remain a 'living' document so progress can be tracked and updated.

The objectives of the People Strategy are grouped under three broad themes:

- Being developed
- Being healthy
- Being valued

We believe that the culture of the organisation is integral to the success of the Council. The latest Staff Survey, carried out during January and February 2018, resulted in an 83% response rate (our highest ever return). Employee positivity about working for Blaby District Council was rated as 81% and 79% of respondents were positive about their role. Underpinning the "way we do things" is the ethos to "Put the customer at the heart of everything we do" supported by the Art of Being Brilliant and Systems Thinking.

Systems Thinking

Since 2006, we have used a Systems Thinking approach to service improvement and this has enabled the council to deliver efficiencies through the redesign of services. Our aim is to identify failure demand and waste, eliminating this from our processes in order to deliver a more effective service to the customer.

Risk Management

We manage risk through the InPhase system. This holds both the Corporate Risk Register and individual service risks. We have revised our Risk Management Strategy to bring it in line with the process used on InPhase and to take into account recommendations made by an Internal Audit report into Corporate Risk.

The Audit Committee plays an important role in the management of risk in considering the effectiveness of the authority's risk management arrangements and control environment, and reviewing the risk profile of the organisation and assurances that action is being taken. The Committee receives reports twice a year on corporate risks. All committee reports include a risk assessment.

The Corporate Risk Group meets quarterly to consider the corporate risk register, re-evaluate risks in light of actions that have been put in place, horizon scanning and review significant service risks.

Partnership Working

Partnership working is a vital component in the way we deliver our services and many of our achievements would not be possible without the significant contribution made by our partners. We have our Local Strategic Partnership known as 'Blaby Together' which draws together capacity and focus so that we can improve around some of the cross cutting priorities for Blaby. The ambitions in the Blaby Plan have been identified and supported by our partners as a Vision for the district.

Partnership working takes place in all aspects of our services and our ambitions. Some current examples include:

- The Lightbulb project – an integrated housing support service involving many and varied partners including Leicestershire County Council and the other Leicestershire districts. Blaby, as host, has recently won a National Local Government Chronicle award for the best Public/Public Partnership for, not only the project, but for challenging the way that systems work and future funding models. The service itself has been live since 2nd October 2017 and has already helped over 2,300 people.
- The development of a building control partnership in conjunction with neighbouring authorities.
- The major housing development at Lubbesthorpe is expected to create thousands of job opportunities for Blaby District residents.

Economic Development Planning

The strength of our local economy is important for us as it has a direct impact on the well being and security of local residents, the number of local jobs, the number of people looking for work, as well as the viability and sustainability of our businesses and communities.

The Economic Development Strategy sets out a way forward in what are challenging times for us all with the economy still in recovery. We will work together with our partners in both the public and private sector to provide local action to deliver our aspirations for the future economic prosperity of the District.
It puts forward a vision and plan that will guide future economic development activity and inward investment, within the context of national, regional and local policy. It aims to influence inward investment in infrastructure, existing and new businesses, skills and training, by recognising that in the current economic climate the market may be unable or struggling to deliver of its own accord.

Community Engagement

Increasingly we have tried to understand our customer's preferences and experiences through engagement, and profiling. A new consultation strategy was adopted in 2014, supported by an action plan and consultation toolkits. We use a variety of information sets from various sources, such as the Public Health England, Neighbourhood Statistics and Leicestershire Statistics and Research. We also use profiling tools such as MOSAIC.

We carry out a number of activities with residents to encourage feedback. We are reviewing the methods of capturing customer surveys through different online systems for more automated collection and analysis of data to get more value out of the feedback. Examples of consultation we have conducted include:

- Extensive annual consultation on Council Tax increases, resulting in 56% of residents agreeing with a £5 increase to assist in maintaining services.
- Two yearly Residents surveys.
- Community Safety Partnership Priorities
- Customer involvement in the review of the web site.
- A customer feedback leaflet available through reception and the website.
- Online consultation on proposed changes to our refuse and recycling service which resulted in over 8,000 responses.

We endeavour to ensure that Harder to Reach customers are engaged and our services are developed to respond to their needs. Our Engaging Harder to Reach Groups Toolkit provides guidance to services. One example is our engagement with young people through our local secondary schools in order to develop the Children's and Young People's Strategy.

Brexit

The referendum result on 23rd June 2016 means that the United Kingdom will leave the European Union (EU), and this process formally began when the Prime Minister triggered Article 50 on 29th March 2017. The implications of leaving the EU are not fully known but there could be a potential impact on Blaby due to changes in interest rates and increases in the basic cost of living. The Council has already experienced a reduction in investment income as a result of uncertainty in the money markets, although rates have bounced back more recently. As there is still a great deal of uncertainty it is not yet possible to measure the risk associated with leaving the EU. However, the impact will be monitored and any adverse effect considered and reported as appropriate.

The 2017/18 Budget Process

The four year financial settlement, with its reduced level of core grant funding together with the limitations on Council Tax increases, effectively pre-set the amount of money available for the Council to spend on services in 2017/18. The budget was, therefore, formulated with the aim of ensuring that realistic service costs were reflected whilst striving to deliver affordable services within future funding limits.

During January 2017 the budget proposals were subject to detailed scrutiny by the Scrutiny Commission across three sessions. The Scrutiny Commissioners were presented with an overview of the budget which included details of the gap between planned expenditure and the funding envelope, at that time £322,000. Various scenarios for closing the gap were put forward, including the removal of Council Tax Support Grant and New Homes Bonus payments to Parish Councils, and options for Council Tax increases. Scrutiny members also had the opportunity to challenge Cabinet Portfolio Holders' draft budget proposals.

Following the Scrutiny sessions the budget was refined and updated with the results of the final Local Government Finance Settlement. At its meeting on 20th February 2017 the Cabinet Executive considered the final budget proposals which were based around a net expenditure budget of £11.388m, supported by a net contribution of £141,215 from Earmarked Reserves. Ultimately, the budget gap was closed to the extent that no contribution was required from General Fund Balances, this being underpinned by expected growth in business rates. The difficult decision was also made to discontinue the payment of New Homes Bonus payments and Council Tax Support Grant to parishes effective from 1st April 2018.

The Cabinet Executive recommended the budget proposals to Council, and the budget was approved by Council at its meeting on 23rd February 2017. At the same meeting the Council also approved the Council Tax for 2017/18, the fees and charges which support the delivery of the revenue budget, the Prudential Indicators and Treasury Management Strategy, and the 2017/18 Capital Programme.

Council Tax

The decision was taken to increase the Band D Council Tax by £5, the maximum increase permissible under the referendum rules. The results of a public consultation on the budget proposals, undertaken in December 2016, indicated that residents were supportive of an increase in Council Tax in order to protect the existing services and to contribute towards the financial shortfall. A comparison of Council Tax levels for 2016/17 and 2017/18 is shown in the table below.

	2016/17 £	2017/18 £	Change %
Leicestershire County Council			
- Main element*	1,105.72	1,128.15	1.99
- Adult Social Care element*	21.68	44.23	2.00
- Total	1,127.40	1,172.38	3.99
Leicestershire , Leicester & Rutland Combined Fire Authority	61.62	62.84	1.98
Office of the Police & Crime Commissioner for Leicestershire	183.58	187.23	1.99
Blaby District Council	148.32	153.32	3.37
Average Parish Councils	84.12	86.82	3.21
Total	**1,605.04**	**1,662.59**	**3.59**

*In accordance with Government guidance each percentage is calculated as an increase to the 2016/17 total precept of £1,127.40.

Council Tax Base

The Council Tax Base for 2017/18 was set at 32,448.66, an increase of 882.06 Band D equivalent properties compared with the previous year (31,566.60).

Medium Term Financial Strategy 2017/18 to 2020/21

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document and forms part of the overall Blaby Plan. The current MTFS includes a financial forecast which is updated each year to reflect any changes in funding as well as to our expenditure plans. The update to the MTFS was approved by the Council at its meeting on 23rd February 2017 and was extended to cover the financial year 2020/21 to ensure that the Council considers its financial position from a longer term strategic viewpoint. It provides a framework to enable the Council to address the significant financial challenges for 2017/18 and future financial years.

The Council made a submission to the Department for Communities and Local Government (DCLG) in October 2016 and accepted the offer of a four year financial settlement which covered the period 2016/17 to 2019/20.

The future funding envelope did, therefore, contain an element of certainty to aid forward planning. However, the Government's Fairer Funding Review and proposed changes to the Business Rates Retention Scheme mean that there is still a high degree of uncertainty around the future of Local Government funding.

Members have made some difficult decisions in response to forecast budget gaps. This has meant that the Council has been able to inform partners prior to the proposed changes and give sufficient time for major service changes to be implemented. In 2016 we revised our Economic Development Plan "Building Blaby, Shaping Futures" and in our latest revision of the MTFS summary we have started to see the growth in our District positively impacting on our financial position. This, alongside decisions made regarding service changes to the collection of refuse and recycling, has resulted in the Council being forecast to be in a financially sustainable position for the coming years. This is subject to the outcome of the Fair Funding Review and the changes to Business Rates that is expected in 2020/21.

Income Generation and Commercialisation

The development of our Commercial Strategy has been formulated by the Cabinet Executive and SLT. Members wanted to ensure that Blaby was in the best financial position to enable Blaby District to be the best place it can be by working in partnership with businesses and the 3rd sector.

Ways in which we will achieve this is:

- By creating a commercial culture/ethos
- Maximising income but still retaining the status as the 'safety net for the vulnerable'
- Maximising the Blaby pound
- Better Communication with residents
- Focus on the larger ticket items
- Non-Statutory Services to be cost neutral as a minimum

The Commercial Strategy encompasses a number of workstreams including:

- Investment in buildings/maximising asset utilisation
- Leisure Contract improved performance
- Strengthening services and improving the efficiency of services
- Selling what we do well to others
- Partnerships and encouraging Corporate Social Responsibility ethos in our District
- Maximising external funding opportunities

In the past year we have focussed on those projects that will deliver substantial returns, either in monetary terms or in the social value we gain. A key example of this has been demonstrated in our plans for developing our former depot site to maximise a return whilst providing the type of housing needed in our district.

Reserves and Balances

The 2017/18 budget was formulated and approved on the basis that no contribution from General Fund Balances was required in order to set a balanced budget, although there was a planned release from earmarked reserves of £141,215. The Council actually made a surplus of £270,598 meaning that the General Fund Balance stands at £3,165,454 as at 31st March 2018. This represents 27.8% of the budgeted net revenue expenditure for 2018/19, within the range of 10% to 30% as set out in the Council's policy on the level of balances.

In addition to the unallocated General Fund Balance, the Council maintains a number of earmarked reserves set aside to provide for future expenditure plans, as mentioned above. These are covered in detail in Note 9 to the Financial Statements.

Although the Council's current reserves and balances remain in a healthy state it is not prudent to expect that they are sufficient to sustain the Council's current level of spending in the longer term.

Budget Monitoring

The Council has well established and robust financial management procedures in place to monitor budgets and to identify and mitigate any forecast over spending.

Revenue and capital budget monitoring reports are presented to the Cabinet Executive and/or Council throughout the financial year. The revenue budget is the subject of quarterly reports, with the Capital Programme being reported twice yearly as a minimum.

The Finance team also provides monthly budget reports to services and regular meetings are held between Finance and services to jointly monitor progress against the budget. The Finance team continues to look to strengthen and bring greater resilience to the budget monitoring process, which will become increasingly important over the next few years as the Council strives to meet its savings targets.

Financial Performance of the Council 2017/18

General Fund Revenue Account

The Council's 2017/18 revenue outturn position is shown in the table below. The original budget set at the Council meeting on 23rd February 2017 was £11,387,710, supported by a net contribution of £141,215 from earmarked reserves. The original budget set out how the Council planned to allocate its funding during the year in order to deliver services to residents. As the year progressed various amendments were made to the service budgets due to, e.g., income exceeding or not meeting the original forecast, savings identified, and additional funding requirements. The result of this was that a contribution of £240,241 would be required from balances. However, the Council continued its recent trend for positive financial performance, through its robust budget monitoring process, and returned a surplus of £270,598 for the financial year.

	2017/18 Approved Budget £	2017/18 Revised Budget £	2017/18 Actual Outturn £
Expenditure by Portfolio:			
Community Services	3,398,779	2,889,333	2,727,591
Corporate Services & Neighbourhood Services	3,169,847	3,371,216	3,255,163
Finance, Efficiency & Assets	1,612,404	1,642,158	1,612,689
Health Improvement, Leisure & Regulatory Services	1,966,032	1,980,133	1,884,648
Leader	845,985	888,058	749,331
Planning, Housing Strategy, Economic & Community Development	1,721,288	2,228,217	2,049,140
	12,714,335	12,999,115	12,278,562
Central Items:			
Revenue Contributions towards Capital Expenditure	0	657,044	224,801
Minimum Revenue Provision	818,210	769,267	769,267
Council Tax Support Grant paid to Parish Councils	196,301	196,301	196,301
Other Appropriations & Accounting Adjustments	(2,199,921)	(1,274,339)	(2,850,640)
Contribution to/(from) Earmarked Reserves	(141,215)	(1,992,922)	1,214,283
Net Revenue Expenditure	**11,387,710**	**11,354,466**	**11,832,574**
Financed by:			
Revenue Support Grant	(467,159)	(467,159)	(467,159)
Income from Business Rates	(3,132,756)	(2,544,761)	(2,162,271)
New Homes Bonus Grant	(2,329,576)	(2,329,576)	(2,334,544)
Transition Grant	(11,110)	(11,110)	(11,110)
Other Non Ring-fenced Government Grants	(408,522)	(723,032)	(700,665)
Council Tax Demand on the Collection Fund	(4,974,908)	(4,974,908)	(4,974,908)
Council Tax (Surplus)/Deficit	(63,679)	(63,679)	(63,679)
NNDR (Surplus)/Deficit	0	0	(1,388,836)
	(11,387,710)	**(11,114,225)**	**(12,103,172)**
Contribution to/(from) General Fund Balances	**0**	**(240,241)**	**270,598**

Capital Programme

The 2017/18 Capital Programme of £1,247,500 was approved by Council on 23rd February 2017. This included £664,000 of expenditure on the Fleet Vehicle Replacement Programme, and £450,000 for the provision of Disabled Facilities Grants.

As the financial year progressed, the initial plans were revised to incorporate unspent budget carried forward from the previous financial year, new assumptions, approvals and scheme updates, as information became available.

The final expenditure on capital schemes in 2017/18 was £2,213,122 compared to the revised forecast spend of £3,489,625. The variance between the forecast and outturn was £1,276,503 or 36.58%. A large proportion of this variance was due to schemes which were not completed by the end of the financial year. This will require the carry forward of planned expenditure amounting to £1,179,244 to 2018/19 together with the associated resources.

The table below provides an analysis of capital expenditure and how it was financed, compared with the previous financial year.

	2017/18 £	2016/17 £
Capital Expenditure		
Leisure and Recreation	8,000	36,344
Fleet, Refuse and Recycling	842,631	3,954,480
Private Sector Housing	376,815	339,905
ICT and Other Equipment	154,295	63,875
Community Development	582,349	304,905
Council Offices and Other Assets	249,032	265,264
	2,213,122	**4,964,773**
Financed By		
Borrowing	1,002,720	3,435,876
Capital Receipts	118,380	718,957
Government Grants	336,118	259,800
Other Grants and Contributions	531,103	234,959
Revenue Contributions	203,298	133,461
Reserves	21,503	181,720
	2,213,122	**4,964,773**

The most significant variances between actual expenditure and planned expenditure in 2017/18 are as follows:

	Planned Capital Expenditure £	Actual Capital Expenditure £	Variance Overspend (Underspend) £
Council Offices Refurbishment Programme	360,000	19,477	(340,523)
Various Section 106-backed Schemes	476,592	243,006	(233,586)
Disabled Facilities Grants	592,984	376,815	(216,169)
Fleet Replacement Programme	975,590	839,271	(136,319)
Empty Property Grants and Loans	46,349	0	(46,349)
Car Parks Strategy Capital Works	99,925	57,602	(42,323)
Customer Channel Shift project	20,433	0	(20,433)
Replacement of Back Office Systems	116,700	99,195	(17,505)
Other Schemes	801,052	577,756	(223,296)
	3,489,625	**2,213,122**	**(1,276,503)**

The Balance Sheet Position

The Council's Balance Sheet reflects a net asset position in spite of the presence of the pension liability explained on the next page. Long term assets comprise property, plant and equipment, as well as intangible assets and long term debtors.

	31st March 2018 £	31st March 2017 £
Long Term Assets	32,367,282	31,766,087
Current Assets	18,171,771	19,976,068
Current Liabilities	(12,623,516)	(14,025,306)
Long Term Liabilities (including net Pension Liability)	(33,932,652)	(34,696,818)
Net Assets/(Liabilities)	**3,982,885**	**3,020,031**
Funded by:		
Usable Reserves	12,609,635	11,100,223
Unusable Reserves	(8,626,750)	(8,080,192)

Pension Liability

The Council participates in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council, through which pension provision is made for those officers who wish to join the scheme. The Council's share of the net pension liability at 31st March 2018 amounted to £30,261,000 (£30,798,000 as at 31st March 2017) and is offset by the Pensions Reserve, movements on which are disclosed in the Movement in Reserves Statement, ensuring that there is no impact on the level of Council Tax. Overall the financial assumptions used by the actuary in arriving at the net pension liability are relatively similar to the previous year. Likewise average LGPS fund returns over the year have been broadly in line with the expected return assumption used for 2017. Consequently, there has not been a large swing in the balance sheet position at 31st March 2018, although Blaby has seen a slight improvement compared to the previous year end. The existence of a net pension liability has significance for the Council's contributions to the scheme, which may need to increase in the long-term, subject to the outcome of the next triennial valuation.

Borrowing Facilities

The Council has the facility to raise finance for capital expenditure and operational requirements from a number of approved borrowing institutions subject to it not exceeding its authorised limit for external debt, as required by the Prudential Code for Capital Finance in Local Authorities. The Council's Treasury Management Strategy, approved on 23rd February 2017, sets a range of prudential indicators including the authorised and operational limits on borrowing. During 2017/18 no new long term borrowing was undertaken. Although the Council has a borrowing requirement in excess of £10m, its actual external borrowing is only £2.9m, as shown in the table below. Instead the Council has a strategy of using internal balances in lieu of borrowing since investment rates are currently lower than the cost of borrowing, and this means that the Council is able to achieve a net saving in interest cost to the General Fund.

Loan debt repaid during the year, including repayment of short term loans, was £190,077.

The following table illustrates the limits and levels of borrowing as at 31st March 2018 as compared to the preceding year end.

	31st March 2018 £	31st March 2017 £
Borrowing Limits:		
Authorised Limit for External Debt	11,700,000	8,700,000
Operational Boundary	10,530,000	7,830,000
Actual Borrowing:		
Long Term Borrowing	2,750,387	2,944,620
Short Term Borrowing	194,233	190,077
	2,944,620	**3,134,697**

Reserves and Balances

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

	31st March 2018 £	31st March 2017 £
Revenue Reserves:		
General Fund	3,165,454	2,894,857
Earmarked Reserves – Revenue	7,451,753	6,237,470
Capital Resources:		
Usable Capital Receipts	1,158,785	1,138,638
Capital Grants and Contributions	833,643	829,258

Provisions, Contingencies and Material Write-offs

The Balance Sheet includes provisions totalling £2,112,847 as at 31st March 2018 – these are detailed in note 22 to the Financial Statements. The most significant of these is the provision in respect of outstanding business rates appeals which stands at £1,908,000 at 31st March 2018 (£1,713,246 at 31st March 2017).

Where a liability is possible but not likely, or the cost cannot be reliably estimated, the Council is required to disclose a contingent liability. No contingent liabilities have been identified in 2017/18.

Write offs are processed during the course of the financial year in line with Financial Regulations. Total write offs against key income streams are summarised below:

	2017/18 £
Collection Fund Write Offs	218,056
General Fund Write Offs	61,481
	279,537

Non-Financial Performance of the Council 2017/18

Achievements

The Leader's statement to Annual Council on 22nd May 2018 identified the key achievements which the Council made during 2018. These include the following:

Economy and Skills – *a vibrant local economy and job market:*

- Partnership Award
- Blaby Building Control and its "Better Connected" Score
- Youth Council Trip to Parliament - Representation and Voting Tour
- Blaby District Tourism Partnership Launch
- Award winning Local Land Charges Team
- Staff Survey

Health and Well Being - *Residents are healthy, fulfilled and confident for their future:*

- A Place to Grow wins Prestigious Green Flag Community Award
- Lightbulb project
- Hospital Housing Enabler Service
- National BMX Championships
- District Sporting Heroes Honoured
- Dementia Action Alliance

Homes and Communities - *Safe, strong and happy local communities:*

- Community Volunteer Week
- Council successful in stopping unwanted development – Countesthorpe & Cosby
- Outstanding Achievement Awards
- Car Parking
- Black Roses Event
- Research of Environmental Health Team Published
- Refuse and Recycling Consultation and Service Redesign
- Planning Enforcement
- National success for online service
- Blaby Lottery Launch
- Residents Survey 2018

The full Leader's Statement is available to download here.

Customer Service Excellence (CSE) and Peer Review

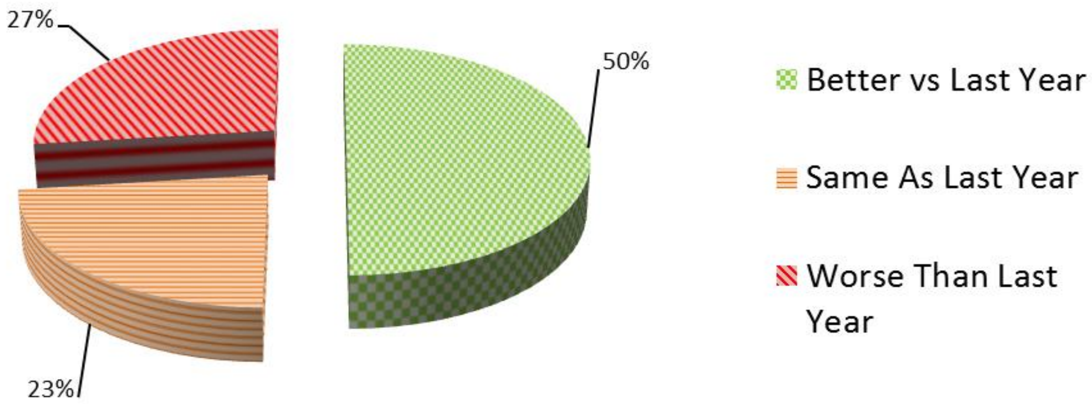
During April 2018 we undertook both a CSE assessment and a Peer Review. The CSE assessor examines how well we listen to serve our residents. The CSE Assessor commented that Blaby District Council had "a serious and demonstrable commitment to delivering excellent services continues despite the back-drop of continuing cuts in funding". This has resulted in us being awarded an additional 'compliance plus' – bringing the Council up to a total of 11 where we are exceeding expectations. The Peer Review, is provided by the Local Government Association, and was again very positive in terms of staff engagement, progress against our action plan and as excellent partners. The Peers also flagged up improvements and opportunities that need to be taken by the Council and these will form part of an action plan going forward.

Performance Against Corporate Objectives

Key Performance indicators are monitored and reported regularly and six monthly performance reports are presented to Cabinet.

The Corporate Dashboard shows key indicators which have been agreed as the most relevant to 'health' of the district, and are directly related to the delivery of the Corporate Strategy document 'The Blaby Plan 2015-18''.

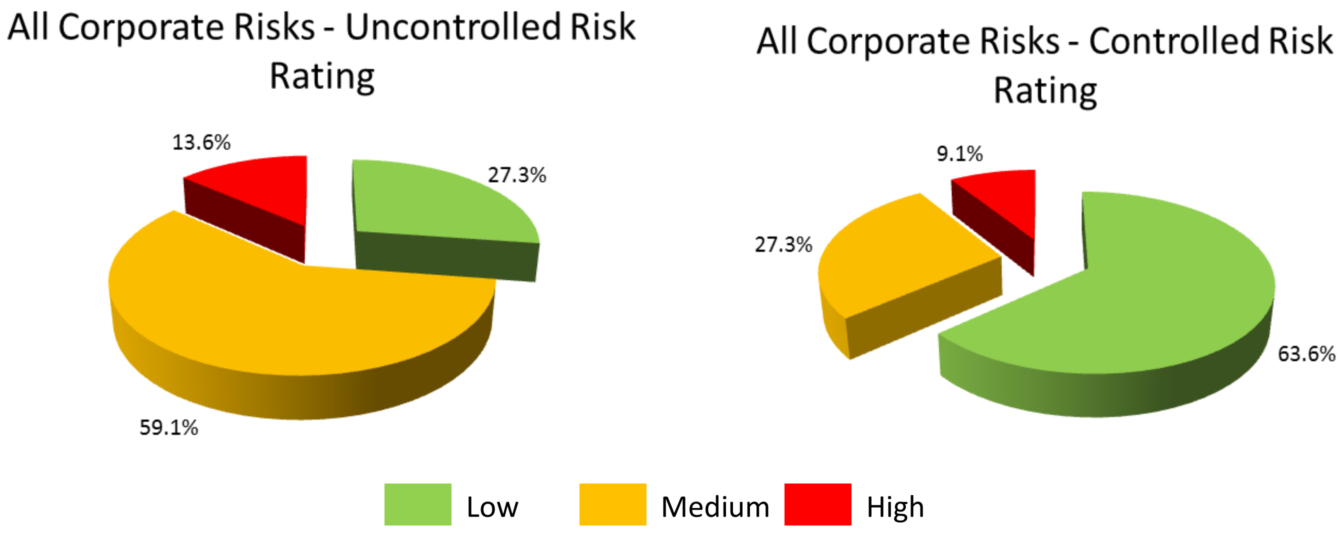
The pie chart below shows 26 key indicators where 2017/18 performance is compared to the previous year.



Of the measures that could be compared, 7 performed less well than the year before. Some of these were due to national and regional trends such as increases in fly tipping instances and homelessness. Some are due to us delivering services in a new way which, in some cases, had a short term negative effect such as Disabled Facilities Grants where performance has declined while a new system is embedded. Other measures are reliant upon third parties where we are working with partners such as the occupation of new houses. 19 measures have improved or stayed the same compared to last year, for example, measures related to Channel Shift.

Corporate Risks

There were 22 identified Corporate Risks as at 31st March 2018. The uncontrolled and controlled risk ratings are summarised below.



Risk Score	Matrix Category
16-25	High
9-15	Medium
1-8	Low

Summary Position

The Council has continued to face a gradual reduction in its core funding which puts an increasing amount of pressure on council tax levels. In spite of the financial background, Blaby is maintaining its reputation for sound financial stewardship, and continues to seek innovative ways of delivering services and income generation. This approach has been reflected in the financial performance for 2017/18, generating a surplus of £0.271m. This is, in no small part, due to the diligence and hard work of officers across the Council. The Council is in a relatively strong position as it enters the new financial year, having sufficient reserves and balances to provide financial resilience in the short term. Our MTFS shows an improved financial forecast through to 2020/21, mainly on the back of predicted growth in business rates, but it is recognised that there are significant risks to this position in terms of the Government's proposals for Fairer Funding and changes to the Business Rates Retention Scheme, the impact of which remains uncertain.

Looking ahead to 2018/19, the Council is implementing changes to its refuse and recycling scheme following an extensive programme of consultation undertaken over recent months. This will culminate in the introduction of an Alternative Weekly Collection scheme which is set to go live in July 2018. We also have well developed plans for the redevelopment of the former Littlethorpe depot for housing provision, and a major procurement exercise is underway to appoint a contractor to run our Leisure Centres from April 2019. Other key priorities for the coming year include the delivery of more affordable housing to meet the needs of the district, strategic growth, and there will be a greater emphasis on mobile working to ensure that our staff are better equipped to be able to deliver services in a more flexible and efficient manner.

Receipt of Further Information

For further information about these accounts please email finance@blaby.gov.uk or write to Finance Services, Blaby District Council, Council Offices, Narborough, Leicester LE19 2EP.

Acknowledgements

The production of the Statement of Accounts would not have been possible without the hard work and dedication of staff across the Council. I would like to express my thanks to all colleagues, from the Finance team and other services, for their contribution towards the preparation of this document. I would also like to thank them for all their support during the financial year.

Sarah Pennelli
Strategic Director (Section 151)
26th July 2018

Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

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

Movement in Reserves Statement
This statement shows the movement from the start of the year to the end 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 unusable reserves. The Statement shows how the movements in the Council's reserves in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following these adjustments.

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 that 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. For example the Capital Receipts Reserve that may only be used to fund capital expenditure or to repay debt. The second category of reserves includes those that the authority is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

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.

Notes to the Financial Statements

These provide further explanation of specific items within the Financial Statements to which they relate.

Collection Fund
The Collection Fund is an agent's 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 of council tax and non-domestic rates and its distribution to precepting bodies and the Government. For Blaby, the council tax precepting bodies are Leicestershire County Council, the Office of the Police and Crime Commissioner, and the Leicester, Leicestershire and Rutland Combined Fire Authority.

The Statement of Responsibilities for the Statement of Accounts - sets out the principal responsibilities of the Authority and its officers in relation to the Accounting Statements. It confirms that the Statement of Accounts has been prepared in accordance with the requirements of the Code.

The Annual Governance Statement - sets out the framework within which financial and operational control is managed and reviewed and the main components of the system of control, including the arrangements for internal audit.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director (Section 151).

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- approve the Statement of Accounts.

The Strategic Director (Section 151)'s Responsibilities

The Strategic Director (Section 151) is responsible for the preparation of the Authority'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 Strategic Director (Section 151) 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 Strategic Director (Section 151) has also:

- kept proper accounting records which were up to date;

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council as at 31st March 2018 and the Council's income and expenditure for the year then ended.

Sarah Pennelli
Strategic Director (Section 151)
26th July 2018

APPROVAL OF ACCOUNTS

This audited Statement of Accounts was approved and adopted by Blaby District Council's Audit Committee at its meeting on 26th July 2018.

Councillor Graham Huss,
Chairman, Audit Committee,
26th July 2018

Comprehensive Income and Expenditure Statement

2016/17 Gross Expenditure Restated £	2016/17 Gross Income Restated £	2016/17 Net Expenditure Restated £		2017/18 Gross Expenditure £	2017/18 Gross Income £	2017/18 Net Expenditure £
19,157,123	(16,231,916)	2,925,207	Community Services	19,251,761	(16,539,170)	2,712,591
5,449,189	(2,115,344)	3,333,845	Corporate Services and Neighbourhood Services	5,401,835	(2,192,947)	3,208,888
1,401,037	(104,580)	1,296,457	Finance, Efficiency and Assets	2,057,907	(69,187)	1,988,720
3,293,357	(1,101,187)	2,192,170	Health Improvement, Leisure and Regulatory Services	3,254,747	(1,334,922)	1,919,825
927,213	(108,486)	818,727	Leader	888,599	(139,268)	749,331
2,611,296	(624,997)	1,986,299	Planning, Housing Strategy, Economic and Community Development	2,924,555	(875,415)	2,049,140
32,839,215	**(20,286,510)**	**12,552,705**	**Cost of Services**	**33,779,404**	**(21,150,909)**	**12,628,495**
2,524,505	0	2,524,505	Other Operating Expenditure (Note 10)	2,914,510	0	2,914,510
3,210,715	(2,408,803)	801,912	Financing and Investment Income and Expenditure (Note 11)	3,038,142	(2,166,223)	871,919
14,748,397	(28,555,961)	(13,807,564)	Taxation and Non-Specific Grant Income and Expenditure (Note 12)	14,294,008	(28,047,336)	(13,753,328)
		2,071,558	**(Surplus)/Deficit on Provision of Services**			**2,661,596**
		(1,505,733)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			(1,166,676)
		5,005,668	Re-measurement of the net defined benefit liability			(2,457,774)
		3,499,935	**Other Comprehensive Income and Expenditure**			**(3,624,450)**
		5,571,493	**Total Comprehensive Income and Expenditure**			**(962,854)**

Movement in Reserves Statement

2017/18	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	**Total Usable Reserves £**	Unusable Reserves £	**Total Authority Reserves £**
Balance at 31st March 2017	9,132,327	1,138,638	829,258	**11,100,223**	(8,080,192)	**3,020,031**
Movement in Reserves during 2017/18						
Surplus/(Deficit) on Provision of Services	(2,661,596)	0	0	**(2,661,596)**	0	**(2,661,596)**
Other Comprehensive Income & Expenditure	0	0	0	**0**	3,624,450	**3,624,450**
Total Comprehensive Income & Expenditure	(2,661,596)	0	0	**(2,661,596)**	3,624,450	**962,854**
Adjustments between accounting basis & funding basis under regulations (Note 8)	4,146,476	20,147	4,385	**4,171,008**	(4,171,008)	**0**
Increase/(Decrease) in 2017/18	1,484,880	20,147	4,385	**1,509,412**	(546,558)	**962,854**
Balance at 31st March 2018	10,617,207	1,158,785	833,643	**12,609,635**	(8,626,750)	**3,982,885**

2016/17	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	**Total Usable Reserves £**	Unusable Reserves £	**Total Authority Reserves £**
Balance at 31st March 2016	10,839,374	1,543,542	622,657	**13,005,573**	(4,414,049)	**8,591,524**
Movement in Reserves during 2016/17						
Surplus/(Deficit) on Provision of Services	(2,071,558)	0	0	**(2,071,558)**	0	**(2,071,558)**
Other Comprehensive Income & Expenditure	0	0	0	**0**	(3,499,935)	**(3,499,935)**
Total Comprehensive Income & Expenditure	(2,071,558)	0	0	**(2,071,558)**	(3,499,935)	**(5,571,493)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	364,511	(404,904)	206,601	**166,208**	(166,208)	**0**
Increase/(Decrease) in 2016/17	(1,707,047)	(404,904)	206,601	**(1,905,350)**	(3,666,143)	**(5,571,493)**
Balance at 31st March 2017	9,132,327	1,138,638	829,258	**11,100,223**	(8,080,192)	**3,020,031**

Balance Sheet

31st March 2017 £		Note	31st March 2018 £
31,359,479	Property, Plant and Equipment	13	32,009,477
175,000	Investment Property	15	150,000
101,856	Intangible Assets	16	78,053
129,752	Long Term Debtors	17	129,752
31,766,087	**Long Term Assets**		**32,367,282**
2	Assets Held for Sale	20	0
54,899	Inventories		24,620
4,826,015	Short Term Investments	17	2,002,733
3,270,057	Short Term Debtors	18	3,901,627
11,825,095	Cash and Cash Equivalents	19	12,242,791
19,976,068	**Current Assets**		**18,171,771**
(857,409)	Cash and Cash Equivalents	19	(434,223)
(213,357)	Short Term Borrowing	17	(216,994)
(9,207,905)	Short Term Creditors	21	(8,041,168)
(1,690,133)	Grants Receipts in Advance - Capital	32	(1,818,284)
(2,056,502)	Provisions	22	(2,112,847)
(14,025,306)	**Current Liabilities**		**(12,623,516)**
(3,400,786)	Long Term Borrowing	17	(3,206,388)
(31,296,032)	Other Long Term Liabilities		(30,726,264)
(34,696,818)	**Long Term Liabilities**		**(33,932,652)**
3,020,031	**Net Assets**		**3,982,885**
(11,100,223)	Usable Reserves	7/8/9	(12,609,635)
8,080,192	Unusable Reserves	23	8,626,750
(3,020,031)	**Total Reserves**		**(3,982,885)**

Sarah Pennelli
Strategic Director (Section 151)
26th July 2018

Cash Flow Statement

2016/17 £		Note	2017/18 £
2,071,558	**Net (surplus)/deficit on the provision of services**		**2,661,596**
	Adjustments to the net (surplus)/deficit on the provision of services for non cash movements:		
(1,920,176)	Depreciation		(1,555,426)
(55,618)	Amortisations		(44,282)
(932,620)	(Increase)/decrease in creditors		(624,302)
(607,998)	Increase/(decrease) in debtors		264,887
20,404	Increase/(decrease) in inventories		(30,279)
(1,105,332)	Movement in pension liability		(1,920,774)
(171,644)	Carrying amount of non current assets and non current assets held for sale, sold or derecognised		(235,787)
141,576	Other non cash items charged to the net (surplus)/deficit on the provision of services		(81,345)
(2,559,850)			(1,565,712)
1,015,791	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	24	1,010,133
(1,544,059)	Net cash flows from Operating Activities		(555,579)
4,959,622	Investing Activities	25	(2,863,201)
(2,318,071)	Financing Activities	26	2,577,898
1,097,492	**Net (increase)/decrease in cash and cash equivalents**		**(840,882)**
(12,065,178)	**Cash and cash equivalents at the beginning of the reporting period**		**(10,967,686)**
(10,967,686)	**Cash and cash equivalents at the end of the reporting period**		**(11,808,568)**

Notes to the Core Financial Statements - Index

1. Accounting Policies

i. General Principles

The Statement of Accounts has been prepared with reference to the objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them, and on the underlying assumption of a going concern basis.

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end 31st March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council's accounting policies are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council's accounts.

The Council's accounting policies as far as possible have been developed to ensure that the Council's accounts are understandable, relevant, free from material error or misstatement, reliable and comparable, and are applied consistently. A glossary of terms can be found at the end of this document.

ii. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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.
- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income 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 income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Expenditure is accrued where goods or services have been received before 31st March but the invoice relating to the goods or services is paid after 31st March. Similarly, income is accrued where it is due before 31st March but an invoice has not been raised or payment has not been received. 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.
- Where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet and the Comprehensive Income and Expenditure Statement adjusted accordingly.

iii. Accounting for Council Tax

The Council Tax income for the year credited to the Collection Fund is the accrued income for the year but regulations determine when it should be released from the Collection Fund to the Council's General Fund or to major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus its share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this amount and the amount credited to the General Fund is transferred to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

iv. Accounting for Business Rates

The Business Rates income for the year credited to the Collection Fund is the accrued income for the year but regulations determine when it should be released from the Collection Fund to the Council's General Fund or to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of Business Rates for the year from the National Non Domestic Rates (NNDR) 1 return.

The Business Rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR3 return. The difference between this amount and the amount credited to the General Fund is transferred to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Business Ratepayers belongs proportionately to the Council, the major preceptors, and the Government. The difference between the amounts collected on behalf of the major preceptors and Government, and the payments made to them is reflected as a debtor or creditor balance as appropriate.

v. Cash and Cash Equivalents

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

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

vi. Exceptional Items

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

vii. 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.

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

viii. 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 fixed 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 fixed 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 – known as the minimum revenue provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP 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.

MRP is determined as follows:

- Historic debt – 4% of the opening balance for the financial period (the Regulatory Method)
- Debt arising from new borrowing since 1st April 2009 – equal annual instalments charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of the expenditure.
- Finance leases – a charge equal to that part of the annual rental applied to writing down the finance lease liability (i.e. the total annual rental payment less interest payable).

ix. Employee Benefits

Benefits Payable During Employment – short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. car loans) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements 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 rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Short Term Accumulated Absences Account, so that holiday entitlements 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. They 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 enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner 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 pensioners, 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 Pensions Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire pension scheme 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, and estimates of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate 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:

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

The change in the net pension 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 employee 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, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Local Government 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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits - The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any 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.

x. 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.

xi. 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 most of the borrowings that the Council 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 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/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 Consolidated 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

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 most of 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 derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xii. 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 authority when there is reasonable assurance that:

- The authority 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 and Expenditure (non-ringfenced 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.

xiii. Heritage Assets

Heritage assets are assets that are held principally for their contribution to knowledge or culture. The Council's only heritage asset is the Ice House situated in the grounds of Bouskell Park, Blaby, a grade 2 listed building but currently in a state of disrepair. 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.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xviii below.

xiv. 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.

Intangible assets are measured initially at cost. Amounts are only revalued 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 the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, 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 measured at highest and best use. They are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is also applied to gains or losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. 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. The Council recognises “substantially all” as being at least 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction. 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 Authority 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 to 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 and Investment 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 authority 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.

<u>Operating Leases</u>
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 and 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 Authority as Lessor

<u>Finance Leases</u>
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 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 future financial years, this is posted 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustments Account from the General Fund Balance in the Movement in Reserves Statement.

<u>Operating Leases</u>
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 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.

xvii. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xviii. 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.

Measurement – assets are initially measured at cost, comprising

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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 authority). 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 are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the 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:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets include in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. 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:

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

The Revaluation Reserve contains revaluation gains recognised since 1st 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 there is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(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:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, based on the historic cost of that asset
- Infrastructure – straight-line allocation over 1 to 15 years.

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

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

Disposals and Non-current Assets Held for Sale **–** when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is 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 the 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 £10,000 are categorised as capital receipts. A proportion of receipts in relating to housing disposals (75% for dwellings. 50% for land and other assets, 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 only 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xix. 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 the 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 authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When 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 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 authority settles the obligation.

Contingent Liabilities – a contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority 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 authority. 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.

xx. 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 Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

xxi. 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.

xxii. 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.

2. Accounting Standards Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information in relation to the anticipated impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- **IFRS 9 Financial Instruments** – introduces changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The Council does not expect any change in the measurement of it's financial assets. Likewise it is not anticipated that the Council's financial assets will be subject to impairment.

- **IFRS 15 Revenue from Contracts with Customers** – new requirements for the recognition of revenue which are not expected to have a material effect on the Council.

- **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses** – applies to deferred tax assets related to debt instruments measured at fair value. This does not have any impact on the Council.

- **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative** – will potentially require some additional analysis of cash flows from financing activities, although this is not expected to have a material impact for Blaby.

- **IFRS16 Leases** – requires local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities, subject to materiality.

3. Critical Judgements in Applying Accounting Policies

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

Local Government Funding

There is a high degree of uncertainty about future levels of funding for local government, particularly with regard to the rebasing of the business rates baseline and the Fairer Funding Review. Furthermore, the impact of the decision for Britain to leave the European Union remains unclear. However, the Council's view is that this uncertainty is not yet sufficient to provide an indication that the Council's assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

Embedded Leases and Derivatives

All material contractual arrangements have been reviewed in order to determine whether they contain embedded leases or embedded derivatives, although none have been identified as such.

Provision for Business Rates Appeals

The Council has set aside a provision which reflects its estimate of the potential cost of refunding ratepayers who successfully appeal against the rateable value of their property. The value of this provision has been determined as follows:

- 2010 Rating List – based on an assessment of outstanding appeals at 31st March 2018 in conjunction with an external expert. One key judgement made in arriving at the value of the provision is that appeals that are assessed as likely to be withdrawn have not been included.

- 2017 Rating List – in the absence of any appeals at 31st March 2018 an assessment of businesses with a rateable value of £250,000 or above has been undertaken to establish the likelihood and potential success of an appeal coming forward. For all businesses with a rateable value of less than £250,000 a provision of 2% of the gross rates payable has been applied.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and 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 and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £46,487 for every year that useful lives had to be reduced.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged by Leicestershire County Council on behalf of all Leicestershire authorities to provide specialist advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 10% (£8,738,000).

However, the assumptions interact in complex ways. During 2017/18, the actuaries advised that the net pension liability had decreased by £4,000 as a result of experience and also decreased by £1,506,000 attributable to updating of the financial and demographic assumptions.

Arrears

At 31st March 2018, the Council had a balance of sundry debtors for £1,632,040. A review of significant balances suggested that on average an impairment of doubtful debts of just under 57% (£926,543) 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, a doubling of the amount of the impairment of doubtful debts would require an additional £110,297 to be set aside as an allowance.

5. Material Items of Income and Expense

There were no material items of income or expenditure occurring in 2017/18.

6. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Strategic Director (Section 151) on 31st May 2018. Events taking place after this date are not reflected in the financial statements or notes.

There were no material post balance sheet events arising between 31st March 2018 and the date on which the accounts were authorised for issue.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's various Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17 Restated				2017/18		
Net Expenditure Chargeable to the General Fund Balance £	Adjustments between the Funding and Accounting Basis £	Net Expenditure in the CIES £		Net Expenditure Chargeable to the General Fund Balance £	Adjustments between the Funding and Accounting Basis £	Net Expenditure in the CIES £
2,784,425	140,782	2,925,207	Community Services	2,599,996	112,595	2,712,591
2,826,306	507,539	3,333,845	Corporate Services and Neighbourhood Services	2,404,590	804,298	3,208,888
(169,454)	1,465,911	1,296,457	Finance, Efficiency and Assets	886,605	1,102,115	1,988,720
2,023,148	169,022	2,192,170	Health Improvement, Leisure and Regulatory Services	1,654,990	264,835	1,919,825
774,794	43,933	818,727	Leader	715,152	34,179	749,331
1,682,596	303,703	1,986,299	Planning, Housing Strategy, Economic and Community Development	1,362,891	686,249	2,049,140
9,921,815	**2,630,890**	**12,552,705**	**Net Cost of Services**	**9,624,224**	**3,004,271**	**12,628,495**
(8,214,768)	(2,266,379)	(10,481,147)	Other Income and Expenditure	(11,109,104)	1,142,205	(9,966,899)
1,707,047	**364,511**	**2,071,558**	**(Surplus) or Deficit**	**(1,484,880)**	**4,146,476**	**2,661,596**
10,839,374			**Opening General Fund Balance**	**9,132,327**		
(1,707,047)			**Less/Plus Surplus or (Deficit) on General Fund Balance in Year**	**1,484,880**		
9,132,327			**Closing General Fund Balance at 31st March**	**10,617,207**		

The General Fund Balance is made up of reserves which have been earmarked for specific purposes (see note 12) and those which are as yet unallocated.

	Earmarked Reserves £	Unallocated General Fund Balances £	Total General Fund Balance £
Balance as at 1st April 2017	6,237,470	2,894,857	9,132,327
Movement in Earmarked Reserves	1,214,283	0	1,214,283
Movement in Unallocated General Fund Balances	0	270,597	270,597
Balance as at 31st March 2018	**7,451,753**	**3,165,454**	**10,617,207**

7a. Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £	Net change for the Pensions Adjustments £	Other Differences £	Total Adjustments £
Community Services	(187,790)	286,340	14,045	112,595
Corporate Services and Neighbourhood Services	504,869	352,603	(53,174)	804,298
Finance, Efficiency and Assets	895,720	83,277	123,118	1,102,115
Health Improvement, Leisure and Regulatory Services	42,110	213,298	9,427	264,835
Leader	7,919	21,071	5,189	34,179
Planning, Housing Strategy, Economic and Community Development	545,113	140,767	369	686,249
Net Cost of Services	**1,807,941**	**1,097,356**	**98,974**	**3,004,271**
Other income and expenditure from the Expenditure and Funding Analysis	**(1,033,535)**	**823,417**	**1,352,323**	**1,142,205**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**774,406**	**1,920,773**	**1,451,297**	**4,146,476**

Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £	Net change for the Pensions Adjustments £	Other Differences £	Total Adjustments £
Community Services	86,885	54,115	(218)	140,782
Corporate Services and Neighbourhood Services	491,810	69,039	(53,310)	507,539
Finance, Efficiency and Assets	1,288,814	15,147	161,950	1,465,911
Health Improvement, Leisure and Regulatory Services	63,832	40,788	64,402	169,022
Leader	14,048	28,760	1,125	43,933
Planning, Housing Strategy, Economic and Community Development	274,758	28,804	141	303,703
Net Cost of Services	**2,220,147**	**236,653**	**174,090**	**2,630,890**
Other income and expenditure from the Expenditure and Funding Analysis	**(1,432,905)**	**868,679**	**(1,702,153)**	**(2,266,379)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**787,242**	**1,105,332**	**(1,528,063)**	**364,511**

Adjustments for Capital Purposes

This column adds in depreciation and impairment, and revaluation gains and losses in the service line, and for:

- **Other operating expenditure –** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure –** the statutory charges for capital financing, i.e. the Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted for those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits related expenditure and income:

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

Other Differences

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

- **For Financing and investment income and expenditure –** the other differences column recognises adjustments to the General Fund for the accrual of compensated absences (holiday pay). Other items such as investment property, interest payable and receivable, and trading operations are reallocated between this line and services.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

7b. Expenditure and Income Analysed by Nature

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

	2017/18 £	2016/17 £
Expenditure		
Employee benefits expenses	11,780,168	10,358,273
Other services expenses	20,078,636	20,476,123
Support service recharges	13,892,249	14,332,212
Depreciation, amortisation and impairment	2,542,819	2,599,663
Interest payments	1,089,127	1,148,871
Precepts and levies	2,817,250	2,655,370
Gain on the disposal of assets	97,260	(130,865)
Total Expenditure	**52,297,509**	**51,439,647**
Income		
Fees, charges and other service income	(5,456,302)	(4,820,356)
Recharges to other services	(13,892,248)	(14,332,212)
Interest and investment income	(114,559)	(168,775)
Income from council tax	(7,808,957)	(7,397,283)
Income from non domestic rates	(2,162,271)	(2,384,050)
Government grants and contributions	(20,201,576)	(20,265,413)
Total Income	**(49,635,913)**	**(49,368,089)**
(Surplus)/Deficit on the Provision of Services	**2,661,596**	**2,071,588**

Income received on a segmental basis is analysed in the following table:

	2017/18 £	2016/17 £
Community Services	(715,377)	(483,798)
Corporate Services & Neighbourhood Services	(2,286,059)	(2,038,409)
Finance, Efficiency & Assets	(355,723)	(401,699)
Health Improvement , Leisure & Regulatory Services	(1,276,118)	(1,375,864)
Leader	(3,213)	(5,207)
Planning, Housing Strategy, Economic & Community Development	(819,812)	(515,379)
Total Revenue from External Customers	**(5,456,302)**	**(4,820,356)**

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure 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 Council 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 into which all of the receipts of an authority are required to be paid and out of which all liabilities of the authority 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 on 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.

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.

2017/18	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred to/from the Pensions Reserve)	1,920,774	0	0
Council tax and NNDR (transfers to/from Collection Fund Adjustment Account)	1,435,716	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	15,581	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,907,000	0	84,616
Total Adjustments to Revenue Resources	**5,279,071**	**0**	**84,616**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(138,527)	138,527	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(769,267)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(224,801)	0	0
Total Adjustments between Revenue and Capital Resources	**(1,132,595)**	**138,527**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(118,380)	0
Application of capital grants to finance capital expenditure	0	0	(80,231)
Total Adjustments to Capital Resources	**0**	**(118,380)**	**(80,231)**
Total Adjustments	**4,146,476**	**20,147**	**4,385**

2016/17 Comparative Figures	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred to/from the Pensions Reserve)	1,105,332	0	0
Council tax and NNDR (transfers to/from Collection Fund Adjustment Account)	(1,534,559)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	6,496	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,069,948	0	240,512
Total Adjustments to Revenue Resources	**1,647,217**	**0**	**240,512**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(302,509)	302,509	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(665,016)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(315,181)	0	0
Total Adjustments between Revenue and Capital Resources	**(1,282,706)**	**302,509**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(718,957)	0
Repayment of Capital Loans (transfer to the Capital Adjustment Account)	0	11,544	0
Application of capital grants to finance capital expenditure	0	0	(33,911)
Total Adjustments to Capital Resources	**0**	**(707,413)**	**(33,911)**
Total Adjustments	**364,511**	**(404,904)**	**206,601**

9. Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

	Balance at 1st April 2016 £	Transfers Out 2016/17 £	Transfers In 2016/17 £	Balance at 31st March 2017 £	Transfers Out 2017/18 £	Transfers In 2017/18 £	Balance at 31st March 2018 £
Leisure Centre Renewals	85,342	0	0	85,342	(5,978)	0	79,364
I.T. Reserve Fund	100,000	0	0	100,000	0	82,000	182,000
Licensing Reserve	25,485	0	1,458	26,943	0	926	27,869
Insurance Reserve Fund	100,000	0	0	100,000	0	0	100,000
Leasehold Covenants	26,600	(26,600)	0	0	0	0	0
Special Schemes (Capital)	550,000	(181,720)	0	368,280	(21,503)	210,000	556,777
Special Schemes (Revenue)	700,000	0	0	700,000	(126,172)	0	573,828
General Reserve Fund	2,600,000	(579,100)	0	2,020,900	(182,227)	10,000	1,848,673
Ongoing Projects	1,478,999	(1,017,485)	837,003	1,298,517	(1,298,517)	1,417,673	1,417,673
Elections Reserve	145,349	0	30,000	175,349	0	0	175,349
Choice Based Lettings	32,952	(10,000)	0	22,952	(22,000)	0	952
New Homes Bonus Reserve	64,942	(5,315)	0	59,627	0	0	59,627
LAMS Default Reserve	161,165	0	0	161,165	(161,165)	0	0
Economic Development	50,000	0	0	50,000	0	0	50,000
Supporting Families Reserve	80,000	(26,667)	0	53,333	(26,667)	0	26,666
Community Rights Reserve	48,724	0	0	48,724	0	0	48,724
Waste Collection Grant	463,544	(232,000)	0	231,544	(231,544)	0	0
Council Tax Support	250,000	0	0	250,000	0	0	250,000
Parish New Homes Bonus	447	0	0	447	(249)	683	881
NNDR Income Reserve	1,214,801	(730,454)	0	484,347	0	1,469,023	1,953,370
Flexible Working Reserve	0	0	0	0	0	100,000	100,000
Total	**8,178,350**	**(2,809,341)**	**868,461**	**6,237,470**	**(2,076,022)**	**3,290,305**	**7,451,753**

These earmarked reserves have been established to provide funding for the following purposes:

Earmarked Reserve	Purpose
Leisure Centres Renewals Fund	periodic replacement of major plant and equipment.
I.T. Reserve Fund	maintained in order to meet the costs of Information and Communications Technology (ICT) infrastructure issues, including plant and equipment.
Licensing Reserve	licensing software developments and service improvements.
Insurance Reserve	unforeseen claims liabilities in relation to self-funded public liability insurance policy.
On-Going Projects	expenditure commitments from non-repeating budgets where delayed delivery results in deferral to a subsequent year.
Leasehold Covenants Reserve	reinstatement obligations in respect of leasehold premises. Now closed.
General Reserve Fund	to ameliorate the anticipated future reduction in grant funding from central Government.
Special Schemes Reserves - Capital	major capital projects of a specific nature.
Special Schemes Reserve – Revenue	provision for one off revenue and/or capital projects.
Elections Reserve	to cover the cost of future District Council elections.
Choice Based Lettings Reserve	support for setting up and development of new lettings system.
New Homes Bonus Reserve	grant set aside to fund specific housing projects.
Local Authority Mortgage Scheme Default Reserve	to underwrite the Council’s share of any potential future costs in relation to mortgage defaults. Now closed.

Economic Development Initiatives Reserve	to cover future economic development related projects.
Supporting Families Project Reserve	set aside monies to cover costs in relation to three year County-wide project commencing in 2016/17.
Community Rights Reserve	set aside monies to cover potential future costs associated with the Community Right to Challenge and/or Community Right to Bid initiatives.
Waste Collection Grant Reserve	to hold the unused element of Weekly Collection Support Scheme Grant received in 2013/14 to pay for the retention of the weekly refuse and recycling scheme. Now fully utilised.
Council Tax Support Reserve	set aside to mitigate the potential risks and uncertainties in funding arising from the introduction of council tax localisation in 2013/14.
Parish New Homes Bonus Reserve	to hold the share of New Homes Bonus Grant awarded to parish councils/meetings which do not maintain their own bank account.
NNDR Income Reserve	set aside to mitigate the potential risks and uncertainties in funding arising from the introduction of business rates retention in 2013/14.
Agile Working Reserve	Set aside monies to cover potential future costs of introducing mobile and flexible working processes, a major corporate project.

10. Other Operating Expenditure

	2017/18 £	2016/17 £
Parish Council Precepts	2,817,250	2,655,370
(Gains)/losses on the disposal of non-current assets	97,260	(130,865)
Total	**2,914,510**	**2,524,505**

11. Financing and Investment Income and Expenditure

	2017/18 £	2016/17 £
Interest payable and similar charges	274,127	281,871
Net interest on the net defined benefit liability	815,000	867,000
Interest receivable and similar income	(100,559)	(154,776)
Income and expenditure in relation to investment properties and changes in their fair value	11,000	(14,000)
Net (Surplus)/Deficit on Trading Operations	(127,649)	(178,183)
Total	**871,919**	**801,912**

12. Taxation and Non Specific Grant Income and Expenditure

	2017/18 £	2016/17 £
Council tax income	(7,808,957)	(7,397,283)
Non domestic rates	(2,162,271)	(2,384,050)
Non ring-fenced government grants	(3,513,478)	(3,603,560)
Capital grants and contributions	(268,622)	(422,671)
Total	**(13,753,328)**	**(13,807,564)**

13. Property, Plant and Equipment

Movement on Balances

Movements in 2017/18	Other Land & Buildings £	Vehicles, Plant, Furniture & Equipment £	Infrastructure Assets £	Community Assets £	Surplus Assets £	Assets under Construction £	Total Property, Plant & Equipment £
Cost or Valuation							
At 1st April 2017	26,997,926	7,598,123	498,847	1,611,696	901,288	0	37,607,880
Additions	77,050	1,042,050	0	41,053	114,380	0	1,274,533
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(343,923)	1,000	0	0	190,000	0	(152,923)
Derecognition – disposals	(126)	(871,618)	(12,947)	(11,316)	(363,268)	0	(1,259,275)
Assets reclassified (to)/from Held for Sale	0	0	0	2	0	0	2
At 31st March 2018	**26,730,927**	**7,769,555**	**485,900**	**1,641,435**	**842,400**	**0**	**37,470,217**
Accumulated Depreciation and Impairment							
At 1st April 2017	(602,938)	(5,125,353)	(255,655)	(26,488)	(237,968)	0	(6,248,402)
Depreciation charge	(850,625)	(666,924)	(35,037)	(1,959)	(881)	0	(1,555,426)
Derecognition – disposals	119	771,573	12,947	0	238,849	0	1,023,488
Other movements in depreciation and impairment	1,319,600	0	0	0	0	0	1,319,600
At 31st March 2018	**(133,844)**	**(5,020,704)**	**(277,745)**	**(28,447)**	**0**	**0**	**(5,460,740)**
Net Book Value							
At 31st March 2018	**26,597,083**	**2,748,851**	**208,155**	**1,612,988**	**842,400**	**0**	**32,009,477**
At 31st March 2017	**26,394,988**	**2,472,770**	**243,192**	**1,585,209**	**663,320**	**0**	**31,359,479**

Movements in 2016/17	Other Land & Buildings £	Vehicles, Plant, Furniture & Equipment £	Infrastructure Assets £	Community Assets £	Surplus Assets £	Assets under Construction £	Total Property, Plant & Equipment £
Cost or Valuation							
At 1st April 2016	20,715,727	7,278,292	498,847	1,586,175	53,400	2,988,541	33,120,982
Additions	57,565	703,986	0	25,521	216,764	3,315,328	4,319,164
Revaluation increases/(decreases) recognised in the Revaluation Reserve	516,460	0	0	0	236,124	0	752,584
Derecognition – disposals	(38,338)	(546,512)	0	0	0	0	(584,850)
Transfers between asset groups	5,746,512	162,357	0	0	395,000	(6,303,869)	0
At 31st March 2017	**26,997,926**	**7,598,123**	**498,847**	**1,611,696**	**901,288**	**0**	**37,607,880**
Accumulated Depreciation and Impairment							
At 1st April 2016	(379,998)	(4,933,691)	(220,600)	(24,528)	(60)	(706)	(5,559,583)
Depreciation charge	(746,635)	(650,063)	(35,055)	(1,959)	(15,299)	0	(1,449,011)
Derecognition – disposals	19,808	458,401	0	0	0	0	478,209
Other movements in depreciation and impairment	503,887	0	0	0	(222,609)	706	281,984
At 31st March 2017	**(602,938)**	**(5,125,353)**	**(255,655)**	**(26,487)**	**(237,968)**	**0**	**(6,248,401)**
Net Book Value							
At 31st March 2017	**26,394,988**	**2,472,770**	**243,192**	**1,585,209**	**663,320**	**0**	**31,359,479**
At 31st March 2016	**20,335,729**	**2,344,601**	**278,247**	**1,561,647**	**53,340**	**2,987,835**	**27,561,399**

Depreciation

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

- Other Land and Buildings – 1 to 50 years
- Vehicles, Plant, Furniture & Equipment – 1 to 20 years
- Infrastructure – 1 to 15 years
- Community Assets – 1 to 50 years

Assets under construction are not depreciated until brought into use.

Capital Commitments

At 31st March 2018, the Council has entered into a number of contracts for the enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £81,765. Similar commitments at 31st March 2017 were £19,604.

Effects of Changes in Estimates

The Council has reviewed it's assumptions with regard to the useful economic life of its non-current assets but has concluded that no material changes are required to its accounting estimates.

Revaluations

The Council's valuation programme ensures that all Property, Plant and Equipment required to be measured at fair value is formally revalued at least every five years, although any material changes to valuations are adjusted in the interim period.

Land and buildings are valued by an independent external valuer and subject to annual desktop reviews. A desktop valuation was undertaken as at 31st March 2018 by Mr K.Shirer BA (Hons) MRICS, of the District Valuation Office. The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. For non-specialised operational assets, fair value equates to existing use value, and for specialised operational assets fair value is estimated using a depreciated replacement cost approach.

Vehicles, plant and equipment are valued internally by reference to current replacement costs provided by suppliers and estimated disposal values (open market value in existing use). Assets not yet re-valued are shown at depreciated value based on historical cost but are not considered to be materially under or over valued. The Council is not aware of any material change in value and these valuations have not been updated.

Surplus assets are measured at fair value, representing highest and best use value from a market participant's perspective.

	Land & Buildings £	Vehicles, Plant & Equipment £	Infrastructure Assets £	Community Assets £	Surplus Assets £	Total £
Carried at historical cost	53,504	2,747,851	208,156	1,612,988	2,400	**4,624,899**
Valued at fair value as at: 31st March 2018	26,543,578	1,000	0	0	840,000	**27,384,578**
Total	**26,597,082**	**2,748,851**	**208,156**	**1,612,988**	**842,400**	**32,009,477**

14. Heritage Assets

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

The Council currently has only one asset that meets the definition of a heritage asset, and that is the Ice House situated in Bouskell Park, Blaby. Most of the Ice House is underground and part has been dated back to medieval times. It is a grade 2 listed building and is considered to be of historical interest but presently it is in a state of disrepair and consequently closed to the public.

The Ice House is not reported in the Balance Sheet as the Council holds no information as to its cost or value, and it is considered that the cost of obtaining such information outweighs the benefit to the users of the financial statements.

15. Investment Properties

The Council owns just one investment property, the Grange, Narborough which is leased to the Royal Bank of Scotland Group (see note 39 for further details).

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.

	2017/18 £	2016/17 £
Rental income from investment property	(14,000)	(14,000)
Net gain/(loss) from fair value adjustments	25,000	0
Net gain/(loss)	**11,000**	**(14,000)**

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 repairs, maintenance or enhancement.

The movement in the fair value of investment property during the year is set out in the table below.

	2017/18 £	2016/17 £
Balance as at 1st April	175,000	175,000
Net gain/(loss) from fair value adjustments	(25,000)	0
Balance as at 31st March	**150,000**	**175,000**

The fair value of the Grange has been based on the market approach using market conditions, recent sale prices and other relevant information for similar assets in the district. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the Grange being categorised at Level 2 in the fair value hierarchy.

In estimating the fair value of the Grange, the highest and best use of the property is its current use.

16. 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 and Equipment. The intangible assets include purchased licences but the Council has no internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The Council has no Intangible Assets that it has assessed as having an indefinite useful life.

The useful lives assigned to the major software suites used by the Council are:

Useful Life	Intangible Asset
10 years	• Northgate Revenues & Benefits System
5 years	• Customer Relationship Management/Electronic Document and Records Management System (CRM/EDRM) • Xpress Elections Software • Real Asset Management (Asset Register System) • Idox/CAPS Planning System • Microsoft Licensing Upgrade • Idox Waste Management System • Bottomline BACS Submission software • Home Connections Choice Based Lettings System

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £44,281 charged to revenue in 2017/18 was charged to the ICT cost centre (£12,294) and various other cost centres £31,987) and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2017/18 £	2016/17 £
Balance at 1st April		
• Gross carrying amount	729,523	737,354
• Accumulated amortisation	(627,667)	(601,620)
Net carrying amount at 1st April	101,856	135,734
Additions	20,478	21,740
Disposals	0	(29,572)
Amortisation for the period	(44,281)	(55,618)
Write back amortisations on disposals	0	29,572
Net carrying amount at 31st March	**78,053**	**101,856**
Comprising:		
• Gross carrying amount	750,001	729,523
• Accumulated amortisation	(671,948)	(627,667)
	78,053	101,856

There have been no changes in accounting estimates (e.g. residual values, useful lives, amortisation method) for Intangible Assets that have had an effect on the current period or that are expected to have an effect in subsequent financial years. Software assets are valued at historic cost.

17. Financial Instruments

Categories of Financial Instruments

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

	Long Term 31st March 2018 £	Current 31st March 2018 £	Long Term 31st March 2017 £	Current 31st March 2017 £
Investments				
Loans and receivables	0	13,939,442	0	16,266,636
Total Investments	**0**	**13,939,442**	**0**	**16,266,636**
Debtors				
Loans and receivables	129,752	0	129,752	0
Financial assets carried at contract amounts	0	1,906,299	0	1,462,274
Total Debtors	**129,752**	**1,906,299**	**129,752**	**1,462,274**
Borrowings				
Financial liabilities at amortised cost	(2,750,387)	(216,994)	(2,944,620)	(213,357)
Total Borrowings	**(2,750,387)**	**(216,994)**	**(2,944,620)**	**(213,357)**
Other Long Term Liabilities				
Finance lease liabilities	(456,001)	0	(456,166)	0
Total Other Long Term Liabilities	**(456,001)**	**0**	**(456,166)**	**0**
Creditors				
Financial liabilities carried at contract amounts	0	(3,574,636)	0	(2,618,975)
Total Creditors	**0**	**(3,574,636)**	**0**	**(2,618,975)**

Income, Expense, Gains and Losses

Income, Expense, Gains and Losses in 2017/18	Financial Liabilities measured at amortised cost £	Financial Assets loans and receivables £	Total £
Interest expense	(274,127)	0	(274,127)
Interest income	0	100,559	100,559
Net gain/(loss) for the year	**(274,127)**	**100,559**	**(173,568)**

Income, Expense, Gains and Losses in 2016/17	Financial Liabilities measured at amortised cost £	Financial Assets loans and receivables £	Total £
Interest expense	(281,871)	0	(281,871)
Interest income	0	154,776	154,776
Net gain/(loss) for the year	**(281,871)**	**154,776**	**(127,095)**

Fair Value of Assets and Liabilities

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

- For loans from the PWLB and other loans payable, new loan rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31st March 2018		31st March 2017	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
PWLB Debt	2,967,216	3,053,376	3,157,827	3,337,324
Short Term Creditors	3,574,636	3,574,636	2,618,975	2,618,975
Short Term Finance Lease Liability	165	165	150	150
Long Term Finance Lease Liability	456,001	456,001	456,166	456,166
Total Financial Liabilities	**6,998,018**	**7,084,178**	**6,233,118**	**6,412,615**

The fair value of Public Works Loan Board (PWLB) loans of £3,053,376 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 £2,967,216 would be valued at £3,053,376. 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 not now be paid. The exit price for the PWLB loans, including the penalty charge, would be £3,197,465.

	31st March 2018		31st March 2017	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
Money Market Loans less than 1 Year	13,939,442	13,939,442	15,244,170	15,248,367
Local Authority Mortgage Scheme				
• Less than 1 Year	0	0	1,022,466	1,031,967
Short Term Debtors	1,906,299	1,906,299	1,462,274	1,462,274
Long Term Debtors	129,752	129,752	129,752	129,752
Total Financial Assets	**15,975,493**	**15,975,493**	**17,858,662**	**17,872,360**

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.
The Council's long term debtors include mortgage advances and renovation loans in excess of twelve months. The balances are increased by payments/loans advanced during the financial year and reduced as repayments are made.

18. Debtors

	31st March 2018 £	31st March 2017 £
Central government bodies	181,059	112,876
Other local authorities	2,178,032	868,834
NHS Bodies	5,000	60,000
Other entities and individuals	1,537,536	2,228,347
Total	**3,901,627**	**3,270,057**

Each line item in the table above is presented net of impairment (i.e. any allowance for non collection). The impairment allowance for short term debtors (including council tax and non-domestic rate income) as at 31st March 2018 is £1,125,763 (£1,136,703 at 31st March 2017).

19. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31st March 2018 £	31st March 2017 £
Cash held by the Council	390	414
Bank current accounts	485,843	470,091
Deposits in Money Market Funds	1,251,450	600,876
Short-term deposits with banks and building societies	2,501,318	5,252,739
Deposits with other Local Authorities	8,003,790	5,500,975
	12,242,791	**11,825,095**
Less Bank Overdraft	(434,223)	(857,409)
Total Cash and Cash Equivalents	**11,808,568**	**10,967,686**

20. Assets Held For Sale

	Current		Non Current	
	2017/18 £	2016/17 £	2017/18 £	2016/17 £
Balance at 1st April	**2**	**65,005**	**0**	**0**
Assets newly classified as held for sale				
• Property, Plant & Equipment	0	0	0	0
Disposals	0	(65,003)	0	0
Transfer of assets no longer classified as held for sale	(2)	0	0	0
Balance at 31st March	**0**	**2**	**0**	**0**

21. Creditors

	31st March 2018 £	31st March 2017 £
Central government bodies	(2,567,937)	(3,935,844)
Other local authorities	(2,351,197)	(2,264,884)
NHS bodies	(1,321,453)	(1,081,459)
Other entities and individuals	(1,800,581)	(1,925,718)
Total	**(8,041,168)**	**(9,207,905)**

22. Provisions

The Council maintains an Insurance Reserve Fund to meet its own liability in relation to claims which may be made against the Council, not currently notified, which would not be fully met within the terms and conditions of its insurance policies. The principal policy to which this applies is the Council's public liability policy under which the Council is required to meet the first £12,500 costs of any claim. Movements in the Insurance Reserve Fund are included within note 9.

A provision has also been made in respect of potential claims liabilities arising under the above policies, based on Insurers' assessment of claims notified, limited to the amount of claim excess. Although the timing of outcomes is uncertain, claims may be paid either fully or in part, or may be repudiated, and so the cost cannot be estimated with certainty. The level of provision required is reviewed annually.

The Council also holds a provision to cover potential liabilities in relation to the Municipal Mutual Insurance (MMI) Scheme of Arrangement. In November 2012 it was announced that a levy of 15% would be applied to the total value of insurance claims paid through MMI since 1993 (less £50,000). For Blaby this amounts to £295,000 in settled claims, less £50,000. Due to the uncertain position in respect of the most volatile classes of claim, such as mesothelioma, the scheme administrator has increased the levy by 10% to 25%.

A provision for the Council's share of the cost of settling outstanding business rates appeals was created as a result of the introduction of the Business Rates Retention Scheme in April 2013. Although the Council is able to retain a larger share of business rates locally it also bears the risks and uncertainties linked to the level of rateable value appeals, which may lead to a reduction in business rates payable.

In 2016/17, the Council set up a provision of £130,000 in recognition of professional and legal costs which were expected to occur as a result of two planning appeals. Neither appeal was successful so the actual cost only amounted to £32,941, and the provision has been reduced accordingly.

	Insurance Claims Provision £	MMI Scheme of Arrangement £	NNDR Appeals Provision £	Planning Appeals Provision £	Other Minor Provisions £	Total £
Balance at 1st April 2017	**(12,640)**	**(182,616)**	**(1,713,246)**	**(130,000)**	**(18,000)**	**(2,056,502)**
Increase in provision in year	(7,880)	0	(1,325,020)	0	0	(1,332,900
Reduction in provision in year	0	0	0	97,059	15,000	112,059
Amounts used in year	66	1,223	1,130,266	32,941	0	1,164,496
Balance as at 31st March 2018	**(20,454)**	**(181,393)**	**(1,908,000)**	**0**	**(3,000)**	**(2,112,847)**

23. Unusable Reserves

	31st March 2018 £	31st March 2017 £
Revaluation Reserve	(12,115,003)	(11,314,409)
Capital Adjustment Account	(9,953,091)	(10,385,946)
Pensions Reserve	30,261,000	30,798,000
Collection Fund Adjustment Account	346,529	(1,089,187)
Accumulated Absences Account	87,315	71,734
Total	**8,626,750**	**8,080,192**

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 contains only revaluation gains accumulated since 1st 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.

	2017/18 £	2016/17 £
Balance at 1st April	**(11,314,409)**	**(10,132,293)**
Upward revaluation of assets	(1,206,676)	(1,536,150)
Impairment Losses	40,000	30,417
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,166,676)	(1,505,733)
Difference between fair value depreciation and historical cost depreciation	355,182	323,617
Accumulated gains/(losses) on assets sold or scrapped	10,900	0
Amounts written off to the Capital Adjustment Account	366,082	323,617
Balance at 31st March	**(12,115,003)**	**(11,314,409)**

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

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £	2016/17 £
Balance at 1st April	**(10,385,946)**	**(10,651,268)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	1,580,426	1,920,176
• Amortisation of intangible assets	44,282	55,618
• Revenue expenditure funded from capital under statute	918,111	623,869
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	224,887	171,644
	2,767,706	2,771,307
Adjusting amounts written out of the Revaluation Reserve	(355,182)	(323,617)
Net amount written out of the cost of non-current assets consumed in the year	2,412,524	2,447,690
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	(118,380)	(718,957)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(786,990)	(460,847)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(80,231)	(33,912)
• Statutory provision for the financing of capital investment charged against the General Fund balance.	(769,267)	(665,016)
• Capital expenditure charged against the General Fund balance	(224,801)	(315,181)
	(1,979,669)	(2,193,913)
Repayment of private sector housing loan	0	11,545
Balance at 31st March	**(9,953,091)**	**(10,385,946)**

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 Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are employed 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 ensure that benefits earned are financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions 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 Council has set 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.

	2017/18 £	2016/17 £
Balance at 1st April	**30,798,000**	**24,687,000**
Re-measurements of the net defined benefit liability	(2,458,606)	5,005,668
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,931,000	2,629,000
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,009,394)	(1,523,668)
Balance at 31st March	**30,261,000**	**30,798,000**

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.

	2017/18 £	2016/17 £
Balance at 1st April	**(1,089,187)**	**445,372**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	46,880	(53,064)
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	1,388,836	(1,481,495)
Balance at 31st March	**346,529**	**(1,089,187)**

Accumulated Absences Account

The Accumulated Absences 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 forward 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18 £	2016/17 £
Balance at 1st April	**71,734**	**65,238**
Settlement or cancellation of accrual made at the end of preceding year	(71,734)	(65,238)
Amounts accrued at the end of the current year	87,315	71,734
Balance at 31st March	**87,315**	**71,734**

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £	2016/17 £
Interest received	(101,375)	(166,965)
Interest paid	274,661	283,706

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

	2017/18 £	2016/17 £
Proceeds from the sale of property, plant and equipment	138,527	314,433
Capital grants and contributions received	871,606	701,358
	1,010,133	1,015,791

25. Cash Flow Statement – Investing Activities

	2017/18 £	2016/17 £
Purchase of property, plant and equipment, and intangible assets	1,191,830	5,292,390
Purchase of short term and long term investments	19,000,000	8,900,000
Proceeds from the sale of property, plant and equipment	(232,809)	(159,884)
Proceeds from short term and long term investments	(21,822,466)	(7,717,215)
Other receipts from investing activities	(999,756)	(1,355,669)
	(2,863,201)	**4,959,622**

26. Cash Flow Statement – Financing Activities

	2017/18 £	2016/17 £
Cash receipts of short and long term borrowing	0	0
Cash payments for the reduction of finance lease liabilities	150	137
Repayments of short and long term borrowing	190,077	306,280
Other payments/receipts for financing activities	2,387,671	(2,624,488)
	2,577,898	**(2,318,071)**

27. Trading Operations

The Council operates the following trading services for which details of income and expenditure are shown in the table below.

Whetstone Industrial Estate – the Council provides 22 units for rent by small businesses.
Highways Grass Cutting – the Council had a contract with Leicestershire County Council to provide grass cutting on the county highway verges. This contract was terminated on 31st March 2018.
Building Control - the Council's chargeable building control function has a statutory trading objective to break even over a rolling three-year period.

	2017/18 Expenditure £	2017/18 Income £	2017/18 (Surplus)/Deficit £	2016/17 (Surplus)/Deficit £
Whetstone Industrial Estate	126,732	(304,374)	(177,642)	(172,033)
Highways Grass Cutting	222,989	(163,668)	59,321	61,601
Building Control (Chargeable Functions)	248,294	(257,622)	(9,328)	(67,751)
	598,015	**(725,664)**	**(127,649)**	**(178,183)**

The trading operations above are incorporated into the Comprehensive Income and Expenditure Statement, and are an integral part of the Council's services to the public.

28. Agency Arrangements

In July 2015, the Council entered into an arrangement with North West Leicestershire District Council for the administration and delivery of its Disabled Facilities Grants Programme. This agreement is one of a number of pilot projects being undertaken as part of the Lightbulb Project, for which the Council received a Transformation Challenge Award Grant of £1m in April 2015. This arrangement continued until 1st October 2017.

On 2nd October the Lightbulb service delivery model went live with Blaby acting as lead authority. Lightbulb brings together the various services involved in the provision of Disabled Facilities Grants under one umbrella, including Occupational Therapists employed by Leicestershire County Council. As lead authority, Blaby employs Housing Support Co-ordinators, Technical Officers and Administrative Officers on behalf of most of the districts across Leicestershire, as well as running the Central Hub that oversees the delivery of services through Lightbulb. The district councils and the County Council contribute towards the cost of running the Central Hub, as well as reimbursing Blaby for the running costs associated with the various district localities. This ensures that Blaby's financial position remains cost neutral in terms of the services it provides to its partners. Expenditure and income is included within the Community Services line in the Comprehensive Income and Expenditure Statement.

From 2nd October, the arrangement for the management and administration of Disabled Facilities Grants with North West Leicestershire was formalised, and Blaby also reached agreement with Harborough District Council, Melton Borough Council, and Oadby and Wigston Borough Council to provide the same service. Under this arrangement the partner authorities have agreed to transfer their capital grant funding to Blaby in return for Blaby paying the disabled facilities grants on their behalf.

The table below provides a summary of the expenditure and income for the year.

	Harborough District Council £	Melton Borough Council £	NW Leics. District Council £	O&W Borough Council £	Total £
Balance at 1st April 2017	**0**	**0**	**(37,019)**	**0**	**(37,019)**
Income received	0	(28,734)	0	0	(28,734)
Grant expenditure	69,364	0	238,975	91,985	400,324
Balance as at 31st March 2018	**69,364**	**(28,734)**	**201,956**	**91,985**	**334,571**

Comparative figures for the pilot arrangement with North West Leicestershire District Council in 2016/17 are shown below.

	2016/17 £
Balance Brought Forward	(66,247)
Income received from North West Leicestershire District Council	
- towards capital expenditure	(250,000)
- towards salaries and on costs	(13,948)
	(263,948)
Capital Grants paid on behalf of North West Leicestershire District Council	279,228
Transfer to General Fund	13,948
Balance Carried Forward	(37,019)

The balances carried forward are included within debtors or creditors in the Balance Sheet.

29. Members Allowances

Allowances are paid to elected members in accordance with the Council's Members' Allowance scheme.

	2017/18 £	2016/17 £
Basic Allowances	196,954	190,068
Special Responsibility Allowances	78,121	81,529
Travel and Other Expenses	1,551	1,714
	276,626	273,311

30. Officer Remuneration

The Accounts and Audit Regulations require authorities to disclose details of senior officers' remuneration. In cases where the individual's salary exceeds £150,000 per annum (or pro rata to that amount) then the individual's name shall be disclosed. There were no senior officers of Blaby District Council whose salary exceeded £150,000 per annum in either 2017/18 or the preceding year. Where the salary exceeds £50,000 per annum (or pro rata to that amount), the authority is required to provide a disclosure by job title.

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	**2017/18**	**97,064**	**1,239**	**23,765**	**122,068**
	2016/17	16,833	210	2,890	19,933
(Interim) Chief Executive	**2017/18**	**0**	**0**	**0**	**0**
	2016/17	91,030	1,267	15,630	107,927
Strategic Director (S151)	**2017/18**	**79,373**	**1,239**	**18,048**	**98,660**
	2016/17	73,972	1,239	12,701	87,912
Strategic Director	**2017/18**	**56,974**	**1,024**	**12,955**	**70,953**
	2016/17	71,134	817	8,840	80,791
Corporate Services Group Manager	**2017/18**	**65,277**	**1,245**	**14,842**	**81,364**
	2016/17	64,650	1,253	11,100	77,003
Regulatory & Leisure Services Group Manager	**2017/18**	**64,577**	**1,389**	**14,683**	**80,649**
	2016/17	63,950	1,351	10,980	76,281
Community Services Group Manager	**2017/18**	**64,277**	**963**	**14,615**	**79,855**
	2016/17	64,650	1,181	11,100	76,931
Neighbourhood Services Group Manager	**2017/18**	**47,457**	**620**	**7,194**	**55,271**
	2016/17	62,650	1,239	10,757	74,646
Neighbourhood Services & Assets Group Manager	**2017/18**	**4,250**	**0**	**966**	**5,216**
	2016/17	0	0	0	0
Planning & Economic Development Group Manager	**2017/18**	**59,638**	**1,239**	**0**	**60,877**
	2016/17	55,446	1,239	0	56,685
Strategic HR Manager	**2017/18**	**55,340**	**1,260**	**12,583**	**69,183**
	2016/17	55,472	1,246	9,525	66,243
Programme Manager – Light Bulb	**2017/18**	**22,042**	**662**	**11,368**	**34,072**
	2016/17	52,561	1,284	9,025	62,870

The former post of Director of People & Finance was redesignated as Strategic Director (S151) effective from 1st December 2017, following a management restructure. There was no change to the salary.

The Strategic Director replaced the former Director of Place in June 2017. The annualised salary for the post was £69,755 until 30th November 2017, and £73,427 thereafter following the management restructure referred to above.

The Neighbourhood Services Group Manager left the authority on 30th September 2017. The annualised salary for the post was £63,277. Following the management restructure this post was redesignated as the Neighbourhood Services & Assets Group Manager and the new postholder was appointed with effect from 5th March 2017. The annualised salary for the new post was £56,000.

The Strategic HR Manager was formerly designated as the Strategic Manager – People, Performance & Assets prior to the restructure. The annualised salary was £56,007 from 1st April to 30th November 2017, and £54,007 thereafter.

The Programme Manager – Lightbulb was in post from 22nd April to 30th September 2017 whereupon the Lightbulb Pilot Project came to an end. The annualised salary was £50,381.

There were no employees, other than senior staff disclosed separately above, whose remuneration for the year, excluding pension contributions, was £50,000 or more.

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18 £**	2016/17 £
£0 - £20,000	**6**	0	**1**	3	**7**	3	**30,106**	30,016
£20,001 – £40,000	**0**	0	**2**	0	**2**	0	**55,566**	0
Total	**6**	0	**3**	3	**9**	3	**85,672**	30,016

The Council terminated the contracts of 9 employees in 2017/18 incurring liabilities of £85,672. This number includes six compulsory redundancies at a cost of £18,228. Four of these related to staff transferred to the Council under TUPE arrangements which followed the implementation of the county-wide Lightbulb model. The other two arose as a result of service reviews. One officer was granted early retirement on grounds of efficiency at an additional one off cost of £26,701, another received pay in lieu of notice following dismissal, and one officer resigned and received pay in lieu of notice.

31. External Audit Costs

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

	2017/18 £	**2016/17 £**
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor	47,272	47,272
Fees payable to the external auditors for the certification of grant claims and returns	12,080	11,620
Total	**59,352**	**58,892**

32. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18 £	2016/17 £
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(467,159)	(952,284)
Non Domestic Rates Contribution	(2,162,271)	(2,384,050)
New Homes Bonus Grant	(2,334,544)	(2,061,822)
Section 31 Grants – Business Rates	(700,665)	(578,301)
Other Non Ringfenced Government Grants	(11,110)	(11,153)
Section 106 Contributions	(268,622)	(422,671)
Total	**(5,944,371)**	**(6,410,281)**
Credited to Services		
Housing Benefit Subsidy	(14,491,218)	(14,705,282)
Other DWP Grants	(45,859)	(80,734)
NNDR Cost of Collection Allowance	(101,839)	(101,202)
Disabled Facilities Grant	(592,984)	(256,068)
Land Charges New Burdens Grant	(16,243)	0
Individual Electoral Registration Grants	(11,963)	(10,876)
Air Quality Monitoring Grants	(109,000)	0
Government contributions towards the cost of Elections	(114,625)	(92,403)
Section 31 Grant – Capacity Funding for Garden Village Proposal	0	(75,000)
New Burdens Grant – Brownfield Land Registers & Permission in Principle	(8,103)	(14,645)
Home Office Grant – Syrian Vulnerable Persons Resettlement Scheme	(53,989)	(16,734)
Custom Build Grant	(30,000)	0
Neighbourhood Planning Grant	(5,000)	(10,000)
Other Grants	(88,645)	(42,756)
Leicestershire & Rutland Sport Commissioning Programme	(84,601)	(98,752)
Better Care Fund – Hospital Housing Enabler	(114,000)	(129,200)
Leicestershire Partnership NHS Trust – Hospital Housing Enabler	(65,712)	(65,712)
Leicester City Clinical Commissioning Group – Hospital Housing Enabler	(40,000)	(100,400)
Children's Support Contributions	(23,000)	(39,000)
Police & Crime Commissioner Contributions	(42,574)	(39,274)
Supporting Leicestershire Families Programme	(97,020)	(124,404)
Early Years Physical Activity	(6,567)	(11,480)
Council Tax Support Administration & Discretionary Fund	(25,280)	(19,349)
Other Contribution	(102,858)	(205,911)
Total	**(16,271,080)**	**(16,239,182)**

The Council sometimes receives grants and contributions that are not immediately recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year end are as follows:

	2017/18 £	2016/17 £
Grants Receipts in Advance (Capital Grants)		
Disabled Facilities Grant	(216,169)	0
Section 106 Contributions	(1,602,115)	(1,690,133)
Total	**(1,818,284)**	**(1,690,133)**

Revenue grants and contributions which do not have conditions attached to their use are transferred to an earmarked reserve pending use in the following financial year.

33. Related Part Transactions

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

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 7b, Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31st March 2018 are shown in Note 32.

Members and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 29. Members are appointed to represent the Council on various outside bodies, some of which give or receive funding to/from the Council. Members and senior officers are required to complete an annual return in which they must declare any related party transactions in which they have been involved during the financial year. This exercise highlighted no material transactions requiring disclosure in 2017/18.

34. Capital Expenditure and Capital Financing

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

	2017/18 £	2016/17 £
Opening Capital Financing Requirement	**10,065,734**	**7,294,874**
Capital Investment		
Property, Plant and Equipment	1,274,533	4,319,164
Intangible Assets	20,478	21,740
Revenue Expenditure Funded from Capital under Statute	918,111	623,869
Sources of Finance		
Capital receipts applied	(118,380)	(718,957)
Government grants and other contributions	(867,221)	(494,759)
Sums set aside from revenue:		
• Direct revenue contributions	(224,801)	(315,181)
• Minimum revenue provision	(769,267)	(665,016)
Closing Capital Financing Requirement	**10,299,187**	**10,065,734**
Explanation of movements in year		
Increase/(decrease) in underlying need for borrowing:		
- unsupported by Government financial assistance	233,603	2,770,997
Assets acquired under finance leases	(150)	(137)
Increase/(decrease) in Capital Financing Requirement	**233,453**	**2,770,860**

35. Leases

Authority as Lessee

Finance Leases - the Council has acquired buildings at Enderby Road Industrial Estate, Whetstone under finance leases. This was subject to a desktop revaluation at 31st March 2018 as part of the Council's annual asset revaluation exercise. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31st March 2018 £	31st March 2017 £
Other Land and Buildings	2,585,768	2,582,233
Total	**2,585,768**	**2,582,233**

The Council is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31st March 2018 £	31st March 2017 £
Finance lease liabilities (net present value of minimum lease payments)		
• Current	165	150
• Non-current	456,001	456,166
Finance costs payable in future years	2,244,972	2,290,604
Minimum lease payments	**2,701,138**	**2,746,920**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2018 £	31st March 2017 £	31st March 2018 £	31st March 2017 £
Not later than one year	45,782	45,782	165	150
Later than one year and not later than five years	183,128	183,128	844	767
Later than five years	2,472,228	2,518,010	455,157	455,399
	2,701,138	**2,746,920**	**456,166**	**456,316**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 contingent rents amounting to £153,718 were payable by the Council (2016/17 £153,721).

Operating Leases – the Council has acquired certain land and buildings that it uses in the delivery of its services by entering into operating leases. The most significant of these is a 99 year lease of land at the Whetstone Amenity Site from Leicestershire County Council on which the Council has built a new depot. The lease commenced on 13th November 2015 at an annual rental of £19,500.

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

	31st March 2018 £	31st March 2017 £
Not later than one year	25,500	25,500
Later than one year and not later than five years	83,901	89,901
Later than five years	1,786,574	1,806,074
	1,895,975	**1,921,475**

The amount charged to the Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £25,433 (£25,534 in 2016/17).

Authority as Lessor

Finance Leases – the Council does not lease any property, plant or equipment to a third party under the terms of a finance lease.

Operating Leases - the Council has granted a lease of The Grange, Narborough to the Royal Bank of Scotland Group for 10 years from 17th October 2008. The arrangement is accounted for as an operating lease and the rent received in 2017/18 was £14,000 (2016/17 also £14,000). The gross value of the asset is £150,000 (£175,000 as at 31st March 2017). The asset is not subject to depreciation as it is classed as an investment property.

The Council leases units at the Enderby Road Industrial Estate, Whetstone to various local businesses and received rental income of £286,097 in 2017/18 (£314,672 in 2016/17).

The Council entered into a lease with Nottinghamshire Healthcare NHS Trust on 2nd June 2015 for the rental of office accommodation at the Council Offices in Narborough. Rent received in 2017/18 was £25,000 (2016/17 was also £25,000).

Offices are also leased to the Leicestershire Citizens Advice Bureau under an arrangement which commenced on 19th January 2015. The lease expired on 18th January 2018 although the lessees continue to occupy the offices under licence, pending completion of a new lease. In 2017/18 the Council received £9,370 under this lease (also £9,370 in 2016/17).

Narborough Parish Council are also renting office space from the Council on a one year lease effective from 10th October 2017, the rent payment in 2017/18 being £6,918.

The Meadows Sportsground on Leicester Road, Countesthorpe is leased to the Meadows Sports Association for a period of 99 years effective from 28th September 2016. The annual rent is £3,000 (£1,500 received in 2016/17).

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

	31st March 2018 £	31st March 2017 £
Not later than one year	213,256	330,896
Later than one year and not later than five years	295,266	426,195
Later than five years	320,373	0
	828,895	**757,091**

36. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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 that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered locally 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 Post-Employment 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:

	2017/18 £	2016/17 £
Comprehensive Income and Expenditure Statement		
Cost of Services		
• Current Service Cost	2,814,000	1,691,000
• Past Service Cost/(Gain)	302,000	71,000
• (Gain)/Loss from Settlements	0	0
Financing and Investment Income and Expenditure		
• Net Interest Expense	815,000	867,000
Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	**3,931,000**	**2,629,000**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	(963,000)	(7,443,000)
• Actuarial gains and losses arising on changes in demographic assumptions	0	(808,000)
• Actuarial gains and losses arising on changes in financial assumptions	(1,506,000)	15,220,000
• Other experience gains and losses	10,394	(1,963,332)
Total Post Employment Benefits charged to Comprehensive Income and Expenditure Statement	**1,472,394**	**7,634,668**
Movement in Reserves Statement		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,931,000)	(2,629,000)
Actual amount charged against the General Fund Balance for pensions in the year		
• Employer's contributions payable to the scheme	1,619,076	1,458,281
• Retirement benefits payable to pensioners	391,150	65,387

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2017/18 £	2016/17 £
Present value of the defined benefit obligation	(83,983,000)	(81,716,000)
Fair value of plan assets	53,722,000	50,918,000
Net liability arising from defined benefit obligation	**(30,261,000)**	**(30,798,000)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	2017/18 £	2016/17 £
Opening fair value of scheme assets	50,918,000	41,864,000
Interest income	1,326,000	1,467,000
Re-measurement gain/(loss):		
• The return on plan assets, excluding the amount included in net interest expense	963,000	7,443,000
Contributions from employer	1,995,000	1,547,000
Contributions from employees into the scheme	468,000	444,000
Benefits paid	(1,948,000)	(1,847,000)
Closing fair value of scheme assets	**53,722,000**	**50,918,000**

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

	2017/18 £	2016/17 £
Opening balance at 1st April	81,716,000	66,551,000
Current service cost	2,814,000	1,691,000
Interest cost	2,141,000	2,334,000
Contributions from scheme participants	468,000	444,000
Re-measurement (gains) and losses:		
• Actuarial (gains)/losses arising from changes in financial assumptions	(1,506,000)	15,220,000
• Actuarial (gains)/losses arising from changes in demographic assumptions	0	(808,000)
• Other	(4,000)	(1,940,000)
Past service cost	302,000	71,000
Benefits paid	(1,948,000)	(1,847,000)
Closing balance at 31st March	**83,983,000**	**81,716,000**

Local Government Pension Scheme assets comprised:

	31st March 2018			31st March 2017		
	Quoted prices in active markets £	Quoted prices not in active markets £	Total £	Quoted prices in active markets £	Quoted prices not in active markets £	Total £
Equity securities	1,297,000	0	**1,297,000**	1,315,000	0	**1,315,000**
Debt securities:						
• UK Government	4,460,000	0	**4,460,000**	4,385,000	0	**4,385,000**
• Other	488,000	0	**488,000**	558,000	0	**558,000**
Private equity	0	1,900,000	**1,900,000**	0	1,923,000	**1,923,000**
Real estate:						
• UK property	0	4,694,000	**4,694,000**	0	4,091,000	**4,091,000**
Investment funds and unit trusts:						
• Equities	25,173,000	0	**25,173,000**	24,387,000	0	**24,387,000**
• Bonds	1,715,000	4,419,000	**6,134,000**	1,774,000	2,792,000	**4,566,000**
• Hedge funds	1,808,000	55,000	**1,863,000**	1,700,000	10,000	**1,710,000**
• Commodities	0	1,252,000	**1,252,000**	0	1,200,000	**1,200,000**
• Infrastructure	0	2,528,000	**2,528,000**	0	2,279,000	**2,279,000**
• Other	1,581,000	0	**1,581,000**	1,276,000	0	**1,276,000**
Derivatives	(155,000)	0	**(155,000)**	(24,000)	0	**(24,000)**
Cash and cash equivalents	2,223,000	0	**2,223,000**	3,252,000	0	**3,252,000**
	38,590,000	**14,848,000**	**53,438,000**	**38,623,000**	**12,295,000**	**50,918,000**

NB: The total assets figure quoted in the table above differs from that shown in the reconciliation of the movements in the fair value of scheme assets by £284,000. This represents the value of employers' contributions due in 2017/18 but not paid by 31st March 2018.

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. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, with estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31st March 2016. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18	2016/17	2017/18	2016/17
Mortality Assumptions:				
Longevity at 65 for current pension:				
• Men	22.1 years	22.1 years	22.1 years	22.1 years
• Women	24.3 years	24.3 years	24.3 years	24.3 years
Longevity at 65 for future pensioners:				
• Men	23.8 years	23.8 years	23.8 years	23.8 years
• Women	26.2 years	26.2 years	26.2 years	26.2 years
Rates of Inflation	2.4%	2.4%	2.4%	2.4%
Rates of Increase in Salaries	3.4%	3.4%	n/a	n/a
Rates of Increase in Pensions	2.4%	2.4%	2.4%	2.4%
Rates for Discounting Scheme Liabilities	2.7%	2.6%	2.7%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses in the following table have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assume for each change that the assumption analysed changes while all the other assumptions remain constant. For example, the assumptions in longevity assume that life expectancy increases 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, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis in the following table did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £	Decrease in Assumption £
Rate of increase in salaries (increase or decrease by 0.5%)	1,402,000	(1,402,000)
Rate of increase in pensions (increase or decrease by 0.5%)	7,204,000	(7,204,000)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(8,738,000)	8,738,000

Pension Fund Risk Management Strategy

The pension fund's primary long term risk is that the fund's assets will fall short of is liabilities (i.e. the promised benefits payable to members of the scheme). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition the fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the fund's required cash flows. These investment risks are managed as part of the overall pension fund risk management programme. Responsibility for the fund's risk management strategy rests with the Pension Fund Management Board, and is monitored annually or more frequently if required.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2019.

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 March 2014. 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 public servants.

The Council anticipated to pay £1,754,000 expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 18.5 years, 2017/18 (unchanged from 2016/17).

37. Contingent Assets and Liabilities

The Council submitted a claim to HM Revenues and Customs (HMRC) in 2009/10 for the repayment of VAT and interest primarily in relation to leisure services fees and charges, known as "the Fleming claim". The Council believed that it may be entitled to additional compound interest over and above the simple interest already received. The Court of Appeal had previously ruled in favour of another claimant seeking compound interest but HMRC had appealed this decision. On 1st November 2017 the Supreme Court found in favour of HMRC, dismissing the claim for compound interest. The matter is now closed.

The Royal Mail has historically been treating certain services as exempt from VAT, when the correct treatment should have been standard rated. As a consequence of this, the recipients of such supplies have been prevented from reclaiming VAT that should have been properly included in the charge. In 2014/15, along with a number of other local authorities the Council submitted a claim through the High Court against the Royal Mail seeking to recover the VAT which it was historically unable to reclaim. The initial value of the claim is £321,305. It is uncertain as to whether the claim will be successful and so the Council will not account for any income until such time as the outcome is known.

38. Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall Procedure 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 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 and 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 for the maturity structure of its debt;
    - Its maximum annual exposure to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget 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 23rd February 2017 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was set at £11,700,000. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £10,530,000. 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 £10,530,000 and £5,850,000 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 a central treasury team, 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 (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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 & Poors credit rating services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after the initial criteria are applied.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies named above, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following data:

- Credit watches and credit outlooks from credit rating agencies
- Credit default swap (CDS) spreads to give an early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

Details of the Investment Strategy can be found on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions 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 Council's deposits, but there was no evidence at 31st March 2018 that this was likely to occur.

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 customers and amounts that are due, but not impaired, can be analysed by age as follows:

	31st March 2018 £	31st March 2017 £
Less than three months	552,408	926,338
Three to six months	125,591	136,294
Six months to one year	95,930	144,530
More than one year	877,821	872,816
	1,651,750	**2,079,978**

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 Public Works Loans Board 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 no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 central 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 by Council as part of the Treasury Management Strategy on 23rd February 2017):

	Approved Minimum Limits	Approved Maximum Limits	31st March 2018 £	31st March 2017 £
Less than one year	0%	100%	194,233	190,077
Between one and two years	0%	100%	198,485	194,233
Between two and five years	0%	100%	621,963	608,607
Between five and ten years	0%	100%	1,929,939	2,141,780
Over ten years	0%	100%	0	0
			2,944,620	**3,134,697**

Market Risk

Interest rate risk - The Council is exposed to risk in terms of its exposure 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 Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services 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, 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 Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the 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 central treasury team 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.

According to this assessment strategy, at 31st March 2018, if all interest rates had been 1% higher (with all other variables held constant) interest received on variable rate investments would have been £120,577 greater.

The Collection Fund

The Collection Fund (England) is an agent's 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.

	Note	2017/18 £	2016/17 £
INCOME			
Council tax	2	(54,135,802)	(51,225,801)
Non-domestic rates	3	(41,910,014)	(43,597,965)
Contributions towards previous year's estimated Collection Fund deficit: - Non-domestic rates		0	(2,981,967)
Total Income		**(96,045,816)**	**(97,805,733)**
EXPENDITURE			
Precepts and demands from major preceptors and the authority – council tax	4	53,948,771	50,665,515
Shares of non-domestic rating income to major preceptors and the authority		21,515,113	21,415,559
Payment of the central share of non-domestic rating income to be paid to central government by the billing authority		21,515,114	21,415,559
Transitional protection payments – non-domestic rates		144,265	28,906
Impairment of debts/appeals for council tax: - write-offs and uncollectable amounts - allowance for impairment		 165,438 (94,595)	 94,099 51,481
Impairment of debts/appeals for non-domestic rates: - write-offs and uncollectable amounts - allowance for impairment - allowance for appeals		 52,618 (16,290) 486,885	 975,896 (490,020) (570,908)
Charge to General Fund for allowable collection costs for non-domestic rates		101,839	101,202
Contributions towards previous year's estimated Collection Fund surplus: - Council tax - Non-domestic rates		 439,720 1,582,560	 48,512 0
Total Expenditure		**99,841,438**	**93,735,801**
Movement on Collection Fund Balance – (surplus)/deficit for the year		**3,795,622**	**(4,069,932)**
Opening Collection Fund Balance: - Council tax - Non-domestic rates	 5	 (398,900) (2,578,509)	 (32,706) 1,125,229
		(2,977,409)	**1,092,523**
Closing Collection Fund Balance: - Council tax - Non-domestic rates	 5	 (75,368) 893,581	 (398,900) (2,578,509)
		818,213	**(2,977,409)**
Analysis of Movement on Collection Fund Balance: - Council tax - Non-domestic rates	 5	 323,532 3,472,090	 (366,194) (3,703,738)
		3,795,622	**(4,069,932)**

Notes to the Collection Fund

1. General Information

The Collection Fund is an agent's statement that reflects the Council's transactions, as a billing authority, in relation to the collection of Council Tax and Business Rates from taxpayers, and its distribution to local government bodies and the Government. Billing authorities have a statutory obligation to maintain a Collection Fund as a separate account to the General Fund. The administrative costs associated with the collection of Council Tax and Business Rates are, however, charged to the General Fund.

Collection Fund surpluses or deficits in relation to Council Tax are credited or charged to the relevant precepting bodies in the subsequent financial year, in proportion to the precepts levied by those organisations. For Blaby, the precepting bodies are Leicestershire County Council, The Office of the Police and Crime Commissioner for Leicestershire (OPCC) and the Leicester, Leicestershire and Rutland Combined Fire Authority.

The current Business Rates Retention Scheme was introduced for local government in April 2013. The main aim of this scheme is to give local authorities a greater incentive to encourage business growth. However, it brings with it a greater financial risk in terms of non collection and the voluntary of the Business rates base. The scheme allows the Council to retain 40% of the total rates received, with the remainder going to the Government (50%), the County Council (9%), and the Fire Authority (1%). Surpluses or deficits are credited or charged to the relevant precepting bodies in the subsequent financial year in line with their respective proportions.

2. Council Tax

Council Tax is based upon the value of residential properties which have been classified into nine valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund for the forthcoming year and dividing this by the Council Tax Base. The Council Tax Base represents the estimated number of Band D equivalents dwellings in the district.

The calculation of the Council Tax base for 2017/18 is set out in the table below:

	A*	A	B	C	D	E	F	G	H	TOTAL
Properties	0.00	4,772.00	14,794.00	9,568.00	6,451.00	4,090.00	1,444.00	504.00	36.00	41,659.00
Exemptions	0.00	-155.30	-173.62	-134.87	-51.07	-30.23	-7.58	-5.41	-0.08	-558.16
Disabled Relief	20.00	71.00	4.00	-29.00	-27.00	-16.00	-13.00	-4.00	-6.00	0.00
Discounts	-1.28	-676.20	-1,210.50	-484.38	-91.46	-50.72	-18.11	-17.39	-0.77	-2,550.81
Council Tax Support	0.00	-1,042.57	-1,163.84	-459.92	-185.21	-74.49	-15.31	-4.75	0.00	-2,946.09
Effective Properties	**18.72**	**2,968.93**	**12,250.04**	**8,459.83**	**6,096.26**	**3,918.56**	**1,390.00**	**472.45**	**29.15**	**35,603.94**
Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	**10.42**	**1,979.27**	**9,527.81**	**7,519.84**	**6,096.26**	**4,789.34**	**2,007.76**	**787.42**	**58.30**	**32,776.42**
* Band A with Disabled Relief						Expected In-Year Collection Rate				99.00%
						Tax Base				**32,448.66**

Income received from Council Tax payers in 2017/18 was £54,135,802 (£51,225,801 in 2016/17).

3. National Non-Domestic Rates

National Non-Domestic Rates (NNDR) is another name for Business Rates. The Council collects NNDR from Business Rate payers within the district based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by the Government. The following table provides details of the total rateable value and the multipliers for 2017/18 compared with the previous financial year.

		2017/18 £	2016/17 £
Total Non-Domestic Rateable Value at 31st March		107,272,487	97,015,106
National Non-Domestic Multipliers for Year:	Standard Rate	0.4790	0.4970
	Small Business Rate	0.4660	0.4840

The Business Rates shares payable are estimated in advance of the financial year and are drawn from the Collection Fund in the year.

	2017/18 £	2016/17 £
Central Government	21,515,114	21,415,559
Blaby District Council	17,212,091	17,132,447
Leicestershire County Council	3,872,720	3,854,801
Leicester, Leicestershire and Rutland Combined Fire Authority	430,302	428,311
	43,030,227	**42,831,118**

Upon the introduction of the Business Rates Retention scheme, the Government set a baseline level for each local authority identifying the expected level of retained business rates, and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs payable from authorities to the Government are used to finance the top-ups for authorities who do not achieve their targeted baseline funding. Blaby paid a tariff of £13,568,020 from its share of Business Rates in 2017/18 (£14,114,397 in 2016/17).

Total income received from Business Rates payers in 2017/18 was £41,910,014 (£43,597,965 in 2016/17).

In addition to the tariff, a 50% levy is payable on any growth above the baseline funding level. The levy payable by Blaby to the Leicestershire Business Rates Pool in 2017/18 was £725,988 (£893,712 in 2016/17).

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

Details of the precepting authorities are set out below together with the respective precept amount.

	2017/18 £	2016/17 £
Leicestershire County Council	38,042,170	35,588,268
Leicestershire Police Authority	6,075,369	5,794,902
Leicester, Leicestershire and Rutland Combined Fire Authority	2,039,074	1,945,134
Blaby District Council (including Parish Councils)	7,792,158	7,337,211
	53,948,771	**50,665,515**

5. Collection Fund (Surplus)/Deficit

The Council Tax Collection Fund surplus as at 31st March 2018 is £75,368 (£398,900 as at 31st March 2017). The Council Tax surplus is apportioned between the Council and the three major precepting authorities as shown in the table below.

	31/03/2018 £	31/03/2017 £
Leicestershire County Council	(53,118)	(280,082)
Leicestershire Police Authority	(8,471)	(45,696)
Leicester, Leicestershire and Rutland Combined Fire Authority	(2,876)	(15,339)
Blaby District Council	(10,903)	(57,783)
	(75,368)	**(398,900)**

The deficit in respect of non domestic rating income is £893,581 as at 31st March 2018 (£2,578,509 surplus as at 31st March 2017). The surplus is apportioned between the Council, central government, and major precepting authorities as follows:

	31/03/2018 £	31/03/2017 £
Central Government	446,791	(1,289,254)
Leicestershire County Council	80,422	(232,066)
Leicester, Leicestershire and Rutland Combined Fire Authority	8,936	(25,785)
Blaby District Council	357,432	(1,031,404)
	893,581	**(2,578,509)**

Glossary of Financial Terms

Accruals
The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is received or paid.

Acquired Operations
Operations comprise services and divisions of service as defined in CIPFA's Service Reporting Code of Practice (SeRCOP). Acquired operations are those operations of the local authority that are acquired in the period.

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

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

Amortisation
The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (i.e. wear and tear).

Assets Held for Sale
Non-current assets which meet the relevant criteria to be classified as held for sale.

Capital Adjustment Account
This is a capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

Capital Charge
A charge to service revenue accounts to reflect the costs of fixed assets used in the provision of service.

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

Capital Grant
A grant that is intended to fund capital expenditure.

Capital Grants Unapplied Account
A capital reserve reflecting the value of capital grants received where there are no conditions outstanding, and where expenditure on the associated asset has not yet been incurred.

Collection Fund Adjustment Account
A revenue reserve representing the difference between the council tax income received by a local authority and the amount attributable to that authority.

Community Assets
Assets held in perpetuity for the benefit of residents of the District, and which may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

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

Contingent Liability
Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

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.

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

a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and

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.

Defined Benefit Scheme
A pension scheme sometimes known as a final salary scheme. A pension or other retirement benefit scheme where 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).

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

Derecognition
The process upon which assets are no longer deemed to belong to the authority either by sale, destruction, or other form of disposal.

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

(a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved:

(b) the activities related to the operation have ceased permanently;

(c) the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
(d) assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Discounted Cash Flow
A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value.

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

Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

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

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

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

Finance Costs
Reflects the element of annual payment for leased assets which relates to the interest payable on the loan liability.

Finance Lease
A finance lease transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Assets
A right to future economic benefits controlled by the authority.

Financial Liabilities
An obligation to transfer economic benefits controlled by the authority.

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

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

Impairment
Impairment is a reduction in the valuation of a fixed asset or goodwill below its balance sheet value, and occurs where something adverse has happened either to the asset itself or to the economic environment in which the asset is operated.

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

Intangible Asets
Non-current assets which do not have physical form, such as software.

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

Inventories
Fair value of current assets purchased which have not yet been consumed.

Investment Property
Assets held solely for the purpose of rental generation or for increasing the value pre-sale (capital appreciation).

Loans and Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

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

Materiality
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Minimum Revenue Provision
A minimum amount, set by legislation, which the Council must charge to the Comprehensive Income and Expenditure Statement, for debt redemption or for the discharge of other credit liabilities (e.g. a finance lease).

Non Current Assets
Assets that yield benefits to the Council for a period of more than one year, such as land, buildings and vehicles.

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

Operating Lease
An operating lease is a lease other than a finance lease, and where an asset is used only for a small proportion of its economic life.

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.

Prior Period Adjustment
These are material adjustments to the accounts for a prior period, arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior periods.

Projected Unit Method
This is 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. Guidance on the projected unit method is given in the Guidance Note GN36 issued by the Faculty and Institute of Actuaries.

Provisions
Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made of the costs.

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

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure Funded From Capital Under Statute
This is expenditure that is classified as capital although it does not result in the creation of a fixed asset (e.g. improvement grants).

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

Service Reporting Code of Practice (SeRCOP)
Establishes proper practice with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.

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.

Straight Line Basis
The method of calculating depreciation by way of charging services with the same amount each year over the life of an asset.

Total Cost
The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Useful Life
The useful life of a fixed asset is the period over which the local authority will derive benefits from that asset.

Vested Rights
In relation to a defined benefit scheme, these are:

a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;

b) for deferred pensioners, their preserved benefits;

c) for pensioners, pensions to which they are entitled.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLABY DISTRICT COUNCIL

Opinion

We have audited the financial statements of Blaby District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 38,
- Collection Fund and the related notes 1 to 5

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Blaby District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Statement of Accounts set out on pages 3 to 23, other than the financial statements and our auditor's report thereon. The Strategic Director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Blaby District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Strategic Director

As explained more fully in the Statement of the Strategic Director's Responsibilities set out on page 24, the Strategic Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Strategic Director is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Blaby District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Blaby District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Clark (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham
26 July 2018

The maintenance and integrity of the Blaby District Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Appendix A

ANNUAL GOVERNANCE STATEMENT – 2017/18

Scope of Responsibility

Blaby District Council is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Blaby District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Blaby District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management or risk.

Blaby District Council has approved a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is on our web-site or can be obtained from the Finance Division at the Council Offices in Narborough. This statement explains how Blaby District Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation and approval of an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The systems of internal control are a significant part of that framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of Blaby District Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Blaby District Council for the year ended 31st March, 2018 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The Authority's vision is set out in the Blaby Plan which was developed with officers, Members and stakeholders in the district. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

Communicating the Authority's Vision

The Blaby Plan, spanning this financial year, was adopted by Council on the 14th April 2015 and has set our Vision, Values and Overarching Principles for the District spanning 2015-2018. A new Blaby Plan for 2018-21 was adopted at the Council meeting of 12th December 2017 which sets the Values and priorities for the Council under the three key themes based on the District being "a great place to live, work and visit".

This document encompasses our ambitions and, with partners, how we will deliver these to the community. The Blaby Plan comprises of our Corporate Plan, our Medium Term Financial Strategy (MTFS) and our People Strategy. It is not just a list of things we want to achieve but also details how we have planned all our resources, both financial and staffing to deliver these.

Alongside the new Blaby Plan a People Strategy has been developed and the MTFS will be updated as detail emerges with regard to the changes to Business Rates and the Fair Funding Review.

Translating the vision into objectives for the authority and its partnerships

The Council's objectives reflect the overall vision and are detailed in a series of critical activities which are incorporated into annual departmental service plans and individual goals.
The following section lists the key elements of the systems and processes that comprise the Council's governance framework with a commentary setting out how the Council's arrangements comply with each of the principles in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council has adopted the national Code of Conduct for Members supported by a Standards Committee which monitors issues in relation to standards of behaviour.

There is a separate officer code of conduct.

The roles and responsibilities of the Cabinet Executive, the Non-executive members, the Scrutiny Commission and the Senior Leadership Team are set out in the Council's Constitution which provides a comprehensive framework for the management of the authority's business. This is supported by a formal Scheme of Delegation, based on a delegation by exception principle. A Member/Officer protocol ensures effective and appropriate communication between the paid establishment and elected Members. The Cabinet Executive has previously approved a recommendation from the Member Development Steering Group to adopt a comprehensive "Members Roles and Responsibilities" paper which sets out role profiles and the required skills and knowledge for the various roles Members fulfil in discharging their responsibilities.

Council policies are produced in accordance with the principles set out in the Constitution and recommended for approval following review by the Senior Leadership Team. Decision making which falls within the policy and budgetary framework rests with the Cabinet Executive whilst those decisions falling outside the framework are reserved to full Council. The call-in procedure enables the Scrutiny Commission to review decisions made by the Cabinet Executive. Day to day decision making is carried out by appropriate officers in accordance with the Scheme of Delegated Powers (which is based on a delegation by exception principle) and in accordance with the Financial Regulations. These arrangements all contribute to the economic, efficient and effective operation of the Council. The whole suite of standing orders, financial regulations and scheme of delegation are reviewed and updated as required through regular reports to Council.

<u>Ensuring effective arrangements are in place for the discharge of the monitoring officer function</u>

The "Monitoring Officer" function is carried out by the Corporate Services Group Manager who reported to the Chief Executive during this financial year. The Democratic Services, Scrutiny and Governance Manager, who has responsibility for legal matters and is also the "Deputy Monitoring Officer", reports to the Corporate Services Group Manager.

<u>Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function</u>

The "Head of Paid Service" role is undertaken by the Council's Chief Executive. The Strategic Director (Section 151 Officer) has responsibility for all HR matters and this position reports to the Chief Executive position.

<u>Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities</u>

The Council has an established Audit Committee whose remit and functions are based on the guidance set out in a CIPFA publication which identifies best practice in relation to roles and responsibilities. The Committee meets quarterly and receives regular reports from both the Section 151 Officer and the Audit Manager. Arrangements are in place for the Audit Manager to report independently to the Audit Committee should he/she feel it appropriate to do so.

<u>Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful</u>

The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two statutory officers (the Section 151 Officer and the Monitoring Officer) have responsibility for ensuring that the Council does not act in an ultra vires manner, supported by the Performance & Systems Manager who facilitates the management and mitigation of risk and the Audit Manager who provides assurance on matters of internal financial control. The Human Resources function, through the use of Performance Development Appraisals assesses (and provides a means of improving) competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council.

Whistle-blowing and for receiving and investigating complaints from the public

The Council has in place and promotes appropriate whistle blowing policies and procedures which are regularly reviewed and updated where required. A revised Whistle Blowing (Raising Concerns) policy was reviewed and updated in July 2017. Staff are aware of the Whistle Blowing policy and it has been highlighted in Blaby Matters. There is also a well established and responsive complaints procedure to deal with both informal and formal complaints from its customers and the residents of the District. Regular information relating to performance in respect of complaints (and compliments) is presented to the Senior Leadership Team.

Principle B. Ensuring openness and comprehensive stakeholder engagement

The Blaby Plan sets out the Authority’s vision, values and priorities, the resources that the Council has to deliver these (within the MTFS) and how we support our officers to deliver the plan within our People Strategy. Individual Service Plans are developed setting objectives that link with the priorities and the authority works closely with other local public bodies, community and voluntary groups via a partnership approach to ensure effective delivery of its services.

We have an active voluntary forum through which the Authority provides support to those in our community whilst engaging with them to understand how we can improve our services.

Customer satisfaction with services is monitored through local and service specific surveys, and electronic means to provide feedback on a range of activities and issues.

The Council produces regular newsletters for all residents and businesses within the District which, in addition to providing information and advice, seeks to receive the views of the residents on a wide range of issues. Targeted service priority consultation exercises are undertaken to inform the future allocation of resources. During the year the Council consulted on the proposed changes to the refuse and recycling service; an exercise which resulted in almost 9,000 responses being received.

The Council works closely with its 24 Parish Councils. This includes quarterly Parish Liaison meetings for Parish Clerks, an (co-produced) Annual Parish Council Seminar and the provision of a Parish Council Single Point of Contact within the Council. The Council has also been preparing the local community of Lubbesthorpe for the formation of a new Parish Council as this substantial development in our district progresses.

The Council has established effective Business Breakfast meetings and holds regular meetings with the head teachers of the Academies in the district. It has a Youth Council and an established Older Persons Forum 'Agewise' which foster and encourage consultation and inter-generational understanding.

In order to demonstrate its openness the Authority also publishes:

- A Forward Plan 28 days before the Cabinet Executive meets and provides:

a) The public with details of all key, non key and budget and policy framework decisions to be taken by Members over a minimum period of four months ahead.

a) An aide-memoire for the Council's informal board of senior Members and officers to identify future issues for further discussion.

b) The Scrutiny Commission with information to consider areas where it may wish to seek involvement in policy development.

- Its pay policy
- Council, Cabinet and Committee Reports
- Payments over £500

In order to keep the public informed the Authority proactively prepares appropriate press releases. The Council has an award winning website which is user friendly and well-designed and the frequent use of social media channels of communication have enabled the Council to reach more of our residents effectively.
Scrutiny of the Councils budget for 2017/18 took place over three meetings in January. These meetings were open to all Members and attendance levels were high.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

<u>Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements</u>

The Council participates in a range of joint working arrangements with other bodies, some of which are more significant than others. For those that deliver services to our customers there are service level agreements or contractual arrangements in place to ensure delivery and protect reputational risk. Should there be corporate risks based on partnership arrangements these will be detailed within the corporate risk register. The Council is particularly mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements, including the potential for a detrimental reputation impact on the Council should the partnership fail. It therefore actively supports and encourages an "open book" approach wherever possible.

Enhancing the accountability for service delivery and effectiveness of other public service providers

The Council has established and leads on a Staying Healthy Forum which has set its own objectives and priorities to improve the health and well-being of the community. This includes locality specific areas for improvement which include; increased awareness and diagnosis of dementia; initiatives regarding mental health issues of our young people, including reducing the occurrence of self-harm as well as collectively looking at workplace health. The forum includes representatives from the NHS, community safety and health providers.

The Council chairs the Leicestershire Housing Services Partnership which is made up of local authorities, registered providers and third sector organisations who work to deliver a joint action plan aimed at improving outcomes. One of the positive outcomes from this group this year has been the adoption of Council Tax exemptions for Care Leavers across Leicestershire.

The Council leads on the Lightbulb programme; a transformational project designed to improve and transform housing related support services across the County as well as improving hospital discharge services. The programme has won national recognition on three occasions within the first six months of the Lightbulb Service being in operation. At the APSE (Association for Public Service Excellence) National Service Awards, Lightbulb won the 'Best Collaborative Working Initiative' against stiff competition. Alongside this it won Highly Commended at the Foundation Awards Ceremony and at the Local Government Chronicle awards, was the winning entry in the Public/Public Partnership category for its work in supporting vulnerable people to live in their homes as safely as possible.

The Council formally merged the Community Safety Partnership (CSP) of both Blaby and Hinckley and Bosworth in April 2016. Together the CSP's across Leicestershire work with the Police, Fire, Probation Services, County Council and Clinical Commissioning Groups to develop and implement strategies to protect local communities from crime and to help people feel safe. Local approaches to deal with issues including antisocial behaviour, drug or alcohol misuse and re-offending are also developed through the joint working.

The Council has over recent years invested considerably to promote the economic development of the district. Our approach is illustrated in the Economic Development Strategy adopted by the Council: "Building Blaby – Shaping Futures".

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome

The Blaby Plan comprises of our Corporate Plan, our Medium Term Financial Strategy and our People Strategy. It is not just a list of things we want to achieve but also details how we have planned all our resources, both financial and staffing to deliver these.

The Council's service and financial planning process ensures that resources re-direction and allocation is aligned to the priorities emanating from the Blaby Plan and in the Annual Service Plans. The Council has in place Contract Standing Orders and Financial Regulations designed to ensure that the Council achieves value for money in discharging its procurement requirements.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability.

Development and maintenance of the system is undertaken by the Senior Leadership Team within the Council and its effectiveness is reviewed by either external or internal audit. In particular, the arrangements include:

- The Medium Term Financial Strategy is now part of the Blaby plan but includes a Financial Summary spanning future years which is revised annually
- A Capital Programme including asset investment
- An effective system of budgetary control
- The preparation and review of regular and timely financial reports which indicate financial performance against the forecasts
- Clearly defined capital appraisal, funding and expenditure controls
- Formal project management disciplines where appropriate
- Regular performance management reports

The Council continues to embed a "system thinking" approach to implementing change and transformation. During the year the Council brought together the performance management team and resource to deliver effective project management to the Authority. Ultimately this is led by the Chief Executive and will continue to ensure focus is placed on continuing to embed a "systems thinking" approach. Members are fully engaged in this process with both a Cabinet Executive portfolio holder having specific responsibility for driving and monitoring the change process. The Scrutiny Commission, through its performance working group are actively involved in examining the detail of the processes and change reviews.

Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it.

Members who joined the Council in 2015/16 underwent a comprehensive induction programme and attended a number of training sessions throughout this year to ensure they were fully equipped to fulfil their roles. This training has continued to be built upon throughout 2017/18.

<u>Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training</u>

The Council fully supports the requirements to ensure that both Members and senior officers have the necessary skills sets to fulfil their strategic role in the organisation. The Council continues to invest in management training offering a number of varied courses and opportunities for senior officers to attend in order to develop their skills and knowledge. The Leader of the Council undertook a Member Leadership Programme course at the Warwick Business School and continues his development with the use of an external coach. The Council deliver's specific Member training around local government finance, good governance and the risks and responsibilities that go with their individual roles.

The Council continues to adhere to the principles of the East Midlands Councils Elected Member Development Charter and have recently achieved re-accreditation. The Charter provides a set of national standards for authorities to achieve, ensuring elected Members are equipped to have the knowledge and skills to be effective community leaders.

Principle F – Managing risks and performance through robust internal control and strong public management

The Council has in place an agreed clear and coherent framework for managing and monitoring performance.

Service Plans and performance measures are held on InPhase, our performance and risk management system. This system was implemented in April 2014 and consideration is currently being given to whether we continue to utilise this system in future. InPhase also holds the Blaby Plan and risk registers, and has been developed to link with back office systems within the Council to be used as a Business Intelligence (BI) reporting tool.

A Six monthly Performance Report is presented to Cabinet which also highlights strong performance and areas of concern. This report is also presented at Scrutiny Commission meetings. The Leader of the Council has responsibility for Performance Management, and provides challenge, as do the Cabinet members.

Officers have access to the InPhase performance data in order that performance can be constantly monitored across services and a residents view has been developed to enable performance data to be to viewed on-line.

The Council has in place a Risk Management Policy and Strategy to ensure that the management of risk, is embedded within the organisation at both the strategic and operational level both Members and senior officers have specific roles and responsibilities identified. A Corporate Risk Management Group, headed by the Chief Executive and supported by the performance team provides leadership, whilst the post of Performance & Systems Manager has specific responsibility to co-ordinate the management of risk across the Council. Both Members and officers are trained so that they are equipped to manage risk in a way appropriate to their duties. Risk assessments are a pre-requisite for all capital project appraisals and form an integral element of Service Plans. The Council has invested in a software package (InPhase) to assist with the management and monitoring of both performance and risks. This includes a risk tracking facility to continuously monitor the Council's exposure to areas classified as high risk. Members of the Audit Committee receive regular risk monitoring reports.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

<u>Ensuring the Authority's Financial Management Arrangements Conform With the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government</u>

The CIPFA Statement was originally published in March 2009 in respect of the Role of the Chief Financial Officer in public services as a whole and was considered by the Council's Cabinet Executive in July of that year. The following year a further version was produced which was specifically directed towards Chief Financial Officers serving in local government. The five underlying principles however remained the same. The Council's financial management arrangements conform with the governance requirements as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

<u>Ensuring the authority's assurance arrangements addresses the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)</u>

The Council's internal reporting arrangements are designed to ensure the independence of the internal audit function. Appropriate resources are made available to provide an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It brings a systemic disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Audit Manager reports directly to the Council's Audit Committee on all matters appertaining to audit outcomes.

<u>Review of Effectiveness</u>

Blaby District Council undertakes on an annual basis a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by a) the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, b) the Audit Manager's annual report and c) by comments made by the external auditors and other review agencies and inspectorates.

<u>Role of the Council</u>

The extent of the role of full Council in reviewing and monitoring effectiveness of internal control is set out in Article 4 of the Council's constitution. Article 4 provides that the Council is responsible for setting the policy and budgetary framework.

It is the responsibility of the statutory officers to report to Council on any issues concerning the review of the effectiveness of internal control arrangements where such cases fall outside the delegated power of other decision making bodies of the Council. There have been no issues arising during 2017/18 which have required the full Council to exercise its role.

The Constitution of the Council is subject to a continuous review process and a delegation by exception scheme forms an integral part of the arrangements. The Constitution underwent a revision in 2016/17 and the new version, which was actively reviewed by Members, was approved by Council on 24th May 2016.

The Council formally reviews its Financial Regulations on a regular basis albeit on-going updates are implemented as part of the regular reviews of the Constitution.

Role of Cabinet Executive

The role of the Cabinet Executive is to receive, consider and approve the Annual Governance Statement and to monitor the implementation of any Action Plans arising out of the review of its governance arrangements.

Role of Audit Committee

A formal Audit Committee, constituted on the basis of the guidance issued by the Chartered Institute of Public Finance, including the adoption of a "Statement of Purpose", was established in 2008.

The Audit Committee meets on a quarterly basis. It has responsibility for considering the findings of the annual review of the effectiveness of the internal audit function in addition to receiving regular monitoring reports from the Audit Manager. The annual external audit plan is also approved by the Audit Committee.

Role of Scrutiny Committee

The Council has a well established and effective Scrutiny Commission supported by working panels who are assigned specific projects to be undertaken. The Commission can "call in" a decision which has been made by the Cabinet Executive but not yet implemented, to enable them to consider whether the decision is appropriate.

Risk Management

The Corporate Risk Group regularly reviews the Risk Management Strategy to ensure its continued relevance to the Council. The reviews also assess performance against the aims and objectives of the Risk Management Strategy.

The Performance & Systems Manager provides regular progress reports to the Corporate Risk Group and the Senior Leadership Team bringing to their attention any significant risks which have been identified. The Corporate Risk Group/Senior Leadership Team also:

- Reviews the Council’s strategic/operational risk registers and associated action plans

- Ensures that the appropriate management action is taken to minimise/eliminate risk

Audit Committee review the Strategic Risk Register and mitigating actions regularly. They also have responsibility for reviewing and recommending the Risk Management Strategy at regular intervals.

Role of Internal Audit

Internal Audit is provided in accordance with the statutory responsibility under Section 151 of the Local Government Act 1972, the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. It is managed on a day to day basis by the Audit Manager who reports to the Strategic Director. There is however also an indirect reporting line to the Strategic Director (Section 151 Officer) in relation to matters of a technical or professional nature.

Internal Audit objectively examines, evaluates and reports on the adequacy of internal controls and governance as a contribution to the proper, economic and effective use of resources. During 2017/18 this responsibility was carried out following an approved risk based annual audit plan. The Audit Manager produces quarterly progress monitoring reports against the plan to the Audit Committee.
The internal reporting process for audit work requires a report of each audit to be submitted to the relevant Group/Corporate Manager and/or Service Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by the relevant managers. The process also includes regular reviews of recommendations to ensure that they are acted upon. A summary of all audits carried out, including a grading rating which reflects the effectiveness of the controls in place and an analysis of the recommendations is submitted to each quarterly Audit Committee meeting.

The Public Sector Internal Audit Standards, introduced on 1 April 2013, require an external assessment of compliance with the Standards to be carried out at least once every five years.

The assessment was carried out in April 2015 and did not identify any significant gaps in compliance. The draft report was presented to the Audit Committee on 23rd June 2015 and the Audit Manager has implemented an action plan which has improved overall compliance with the Standards. A review against the updated Standards was carried out in April 2016 to ensure the Council remained compliant and a further review was completed to ensure the Council remained compliant with the Standards that came into effect on 1st April 2017. Details of the review were reported through the Internal Audit Annual Report that was brought before the Audit Committee.

The Shared Service Audit Manager provides an independent opinion on the internal control environment to the Audit Committee which then feeds into the Annual Governance Statement process. For the 12 months ended 31 March 2018, based upon the work undertaken by Internal Audit during the year and additional information provided by relevant managers on their responses to audit recommendations, the Audit Manager has formed the opinion that the Council's overall internal control arrangements are a **Grade 2.** This means that they **require improvement in some areas.** This is detailed in the report of the Audit Manager's 'Internal Audit Annual Report 2017/2018' to be presented to Audit Committee on 26th July 2018.

The report details four audits which were awarded a Grade 3 rating. The issues raised are unique to specific functions of the Council and do not suggest more widespread issues.
In most cases a number of the resulting recommendations have already been implemented with further recommendations planned to be delivered within the planned timescales.
Focus is being placed on one particular audit that has only recently been carried out to ensure timescales for the recommendations are met.
Further review and follow-up actions illustrate the reliance and importance the Council place on the work of internal audit.

Other Explicit Review/Assurance Mechanisms

The Corporate Services Group Manager (the "Monitoring Officer") has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution underwent a revision in 2016/17 and the new version, which was actively reviewed by Members, was approved by Council on 24th May 2016.

Statements of Assurance are received from senior officers regarding internal control issues in line with the guidance set out in "Delivering Good Governance in Local Government".

A Peer Review carried out by the LGA in 2015 described Blaby District Council as "a great council which is performing well with no major concerns. There are many examples of good services and projects with a strong focus on doing the right thing for Blaby's residents and customers at all levels of the organisation."

A further review has very recently been carried out and was again very positive in terms of staff engagement, progress against our action plan and as excellent partners. The Peers also flagged up improvements and opportunities that need to be taken by the Council and these will form part of an action plan going forward.

The effectiveness of the internal financial controls is reviewed annually by the external auditor whose "Report to Those Charged with Governance" is considered formally by the Audit Committee at its July meeting.

__Statement of Leader and Chief Executive__

We have been advised on the implications of the result of the review of the effectiveness of the governance framework carried out by members of the Senior Leadership Team and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Significant governance issues

Whilst there are no significant governance issues to report, nevertheless the Council continues to seek to enhance and strengthen our governance arrangements where improvements can be identified. We will monitor progress made as part of our next annual review.

Signed ______________________
Leader of the Council

July 2018

Signed ______________________
Chief Executive

July 2018

This document can be made available on request, in other languages and formats (large print, Braille or on audio tape) by contacting:

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