

# STATEMENT OF ACCOUNTS 2016/17

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## NARRATIVE REPORT

### **Introduction by the Section 151 Officer – Sarah Pennelli, Director of People & Finance**

I am pleased to present Blaby District Council's Statement of Accounts for the financial year ended 31<sup>st</sup> March 2017. The published accounts are an important element of the overall arrangements for demonstrating the Council's financial stewardship of public money.

A change in legislation brought about by the Accounts and Audit Regulations 2015 has introduced changes to the overall reporting and publication timeline for the accounts. This means that from next year the unaudited accounts must be published on our website by 31<sup>st</sup> May rather than 30<sup>th</sup> June under the existing regulations. The deadline for publishing the audited accounts will also be brought forward from 30<sup>th</sup> September to 31<sup>st</sup> July, adding further pressure to the closedown process. However, in preparation for this requirement, the Finance team planned to complete the preparation of the 2016/17 accounts by the earlier closedown deadline of 31<sup>st</sup> May. 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 2016/17 accounts in a timely manner, and by the earlier deadline, enables the Council to finalise its consideration of the 2016/17 financial position and to move on to address the many challenges that 2017/18 brings.

Whilst there is no longer a requirement for the Audit Committee to review the draft accounts, it is considered good practice that it does so. Therefore, the draft accounts will be presented to the Audit Committee at its meeting on 29<sup>th</sup> June 2017. The external auditors, Ernst & Young (EY), will commence the audit of accounts on 10<sup>th</sup> July 2017 and the audited accounts will be presented to Audit Committee for approval on 26<sup>th</sup> September 2017.

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 2016/17;
- 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 information about Blaby, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31<sup>st</sup> March 2017, including the following:

- An introduction to Blaby
- Key facts and information about Blaby
- The 2016/17 Budget Process
- The Capital Programme 2016/17
- The Council's financial performance in 2016/17
- 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.

## An Introduction to Blaby

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<sup>2</sup> 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



Male Female

	Blaby	Leics County	East Midlands	England
<b>Age</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
0-19	23.24%	22.76%	23.35%	23.74%
20 to 64	56.74%	57.49%	57.88%	58.54%
65 to 84	17.53%	17.22%	16.38%	15.36%
85 and over	2.49%	2.53%	2.39%	2.36%

The average life expectancy of our residents is good at nearly 81 years for men and 84 years for women compared to 80 and 83 years nationally.

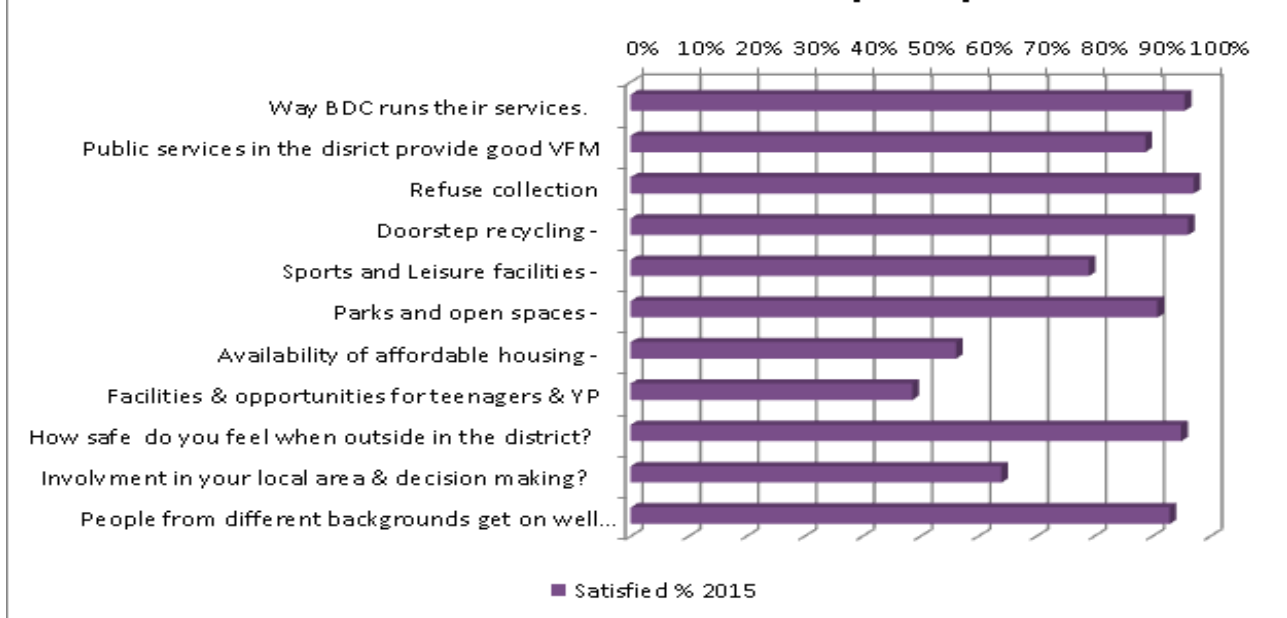
The ethnic make up of the district has evolved with 11.5% of residents now from minority ethnic backgrounds (2011), a growth from 5.6% in 2001, this is mainly in the Asian/Asian British group (6.1%).

There are good transport links with the M1 and M69 both within the district, the M6 is just south of the district, train links to Leicester and Birmingham, and 2 international airports less than 1 hour away. These links are an advantage in 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 200,000 shoppers per week. Large scale business parks and headquarters, e.g. Next and Santander, are situated within Blaby District as are the headquarters of Leicestershire County Council and the Office of the Police and Crime Commissioner. The number of people claiming out of work benefits as of February 2017 stands at 0.7% compared with 1.9% nationally. In September 2015 this figure stood at 0.8% within the district. In December 2015 the percentage of young people “Not in Education, Employment or Training” (NEET) was 3.0% in Leicestershire compared with the national figure of 4.2%. 81% of residents own their own home and average house prices are 6.3 times the average net household income of £30,247 (in Q4 2014).

Health and recreation is well catered for in the district. We have 9 strategic green spaces including Glen Parva Local Nature Reserve which received a Green Flag Award. 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 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. 11% of the local population provides 1 hour or more unpaid care for others compared to 10% average nationally.

In general, residents feel involved, have a sense of community, and are satisfied with the way that the Council delivers services. The following table provides a snapshot of the results of our 2015 Residents Survey.

## Satisfaction with Services (2015)



### Political Structure

The Council is comprised of 39 elected members across 18 wards with elections held every 4 years.

An in-house member induction package has been delivered across the Council. It is recognised that there needs to be an ongoing programme of development to provide members with the skills and appropriate levels of knowledge to face future challenges, and to ensure effective succession planning. The Council achieved and has retained the member development charter since 2010.

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, and the Deputy Leader is Councillor Maggie Wright. During 2016/17 there were 7 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 Councillors at Full Council meetings.

Scrutiny has, in the past, won awards for the quality of its work. With a change to the Chair and the intake of new members it is hoped that this success and effective challenge will continue change. 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.

## Management Structure

The Council's management structure is documented within the Constitution and the management structure chart is available on the Council's website. 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 preparation for the early retirement of the previous Chief Executive on 31<sup>st</sup> May 2016, Council approved an interim management structure effective from 1<sup>st</sup> March 2016. The interim structure comprised the Interim Chief Executive, 2 Directors, 5 Group Managers, and the Strategic Manager – People, Performance and Assets. The Chief Executive appointment was made permanent on 15th November 2016. The Council is currently carrying a vacancy for a director. Once the new director is in position the Council structure below this level will be reviewed and refreshed appropriately according to experience and skills.

## Workforce

The Council's workforce has remained fairly stable. On 31<sup>st</sup> March 2017 the Council employed 310 members of staff working across a range of services, compared with 309 on 31<sup>st</sup> March 2016. The number of full time equivalents (FTEs) at 31<sup>st</sup> March 2017 was 281.5.

<b>Employees</b>			
<b>Total number of employees - 312</b>			
<b>Category</b>	<b>%</b>	<b>Category</b>	<b>%</b>
<b>Gender %</b>		<b>Ethnicity %</b>	
<b>Females</b>	<b>57%</b>	<b>Asian or Asian British-Indian</b>	<b>3.53%</b>
<b>Males</b>	<b>43%</b>	<b>Other</b>	<b>0.32%</b>
<b>Disability %</b>		<b>Black British</b>	<b>0.64%</b>
<b>Employees with a disability</b>	<b>3%</b>	<b>Mixed heritage ( white and black)</b>	<b>0.96%</b>
<b>Age Bandings %</b>		<b>White- any other white background</b>	<b>4.17%</b>
<b>Age 0-18</b>	<b>0.60%</b>	<b>White and Asian</b>	<b>0.64%</b>
<b>Age 18-30</b>	<b>13.50%</b>	<b>White British</b>	<b>84.61%</b>
<b>Age 31-40</b>	<b>20.80%</b>	<b>White- Irish</b>	<b>0.96%</b>
<b>Age 41-50</b>	<b>32.40%</b>	<b>Undeclared- preferred not to specify</b>	<b>4.17%</b>
<b>Age 51-60</b>	<b>27.20%</b>		
<b>Age 60+</b>	<b>5.40%</b>		

At the end of March 2017 sickness stood at 8.02 days per employee which represents a slight improvement from 8.21 days in 2015/16.

## **The Blaby Plan**

Our Vision, Values and Overarching Principles are set out in the Blaby Plan adopted in April 2015. 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 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.

### **Our Vision**

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

### **Our Values**

- Put the customer at the heart of everything we do.
- Listen, learn and make a positive difference.
- Be ambitious and creative in what we do.
- Treat people fairly.

### **Our Overarching Principles**

- Work in partnership, using resources wisely to meet the needs of our customers.
- Focus on and adapt to what matters to our customers.
- Help people to help themselves.
- Be open and to new and innovative ways of working.

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

Demonstration of this commitment is our retention of the highly respected Customer Service Excellence (C.S.E.) Standard for a fourth year running. As well as meeting the rigorous standards that they set out, we have now exceeded these by achieving 'Compliance Plus' in ten key areas.

### **The Corporate Priorities and Objectives**

Our Corporate Priorities and Objectives which support them are a result of a year of listening to customers, staff and stakeholders, collecting and analysing information and working together. For example just 59% of people told us they were satisfied with employment opportunities in the district, so we have sought to look at the underlying data and set objectives that will drive greater prospects of gaining skills and finding work for residents.

Our Priorities are:

- Economy & Skills
- Health & Well-being
- Homes & Communities

Objectives below these priorities identify the specific goals we aim to achieve. The delivery of these is detailed in individual service plans.

## 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. The Medium Term Financial Strategy (MTFS) is our plan of how we will fund delivery of our priorities over the next 4 years. Financial resources will continue to be aligned with these priorities and a structured approach taken to meeting any funding gaps that may present themselves.

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. The Council was informed in mid November that the application had been accepted and Blaby was therefore on the Multi-year Settlement. This has given the Council more certainty as to the size of its funding envelope for the next three financial years, albeit that uncertainty remains in respect of certain key areas such as Business Rates Retention and the future of New Homes Bonus. It is important that the Council understands the potential future shortfall in funding so that it is best placed to make decisions at an early stage. The size of the budget gap is expected to increase from £0.75m in 2018/19 to £1.45m in 2019/20 and £1.60m in 2020/21. We will, therefore, need to place greater reliance on council tax, 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 (NNDR). Our external auditors will consider the MTFS and our ability to close the budget gap as forecast, including current work being carried out by the Council, as part of their Value for Money work.

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

Our workforce is our most important asset and our most significant resource. We value their views and ideas 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 carry out staff surveys every 2 years 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 staff surveys 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 5 broad themes:

- Where we work
- How we are managed
- How we are developed
- How we stay healthy
- How we are recognised



The assessors of the C.S.E. noted that Systems Thinking was being used effectively and that staff really had embraced the approach.

We believe that integral to the success of the Council is the culture of the organisation. The staff survey, last carried out in February 2016, rated employee positivity about Blaby DC as 79% and 76% 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.

Systems Thinking was recognised by the assessors of the C.S.E. on their site visit. They felt that Systems Thinking was a key mechanism for “getting people to up their game”. They particularly liked the fact that, as a council, Blaby had recognised that the best people to involve in improvement were the officers doing the job and this approach “continues to be a starting point in reducing customer journeys”.

## **Performance Framework**

The Blaby Plan 2015-18 sets out the Council’s strategic ambitions. Portfolio holders are focussed on ensuring that these ambitions will be delivered over the period of these plans.

Each service must consider how they can contribute to the delivery of the Blaby Plan. Through Service Plans a detailed delivery plan of the forthcoming year is put into place with actions making direct links to the Overarching Principles and Priorities of the Council. Within these plans services need to look forward to the next year considering budgets, staffing, performance and risks. This enables them to forecast and plan for issues and requirements coming up e.g. skills shortages requiring training, capital bid requirements. This planning process is reviewed on an annual basis to ensure that it is relevant and continues to add value.

Individual staff objectives relate directly to their service plans and the Corporate Values, which they will have been involved in shaping. Through the staff survey it was recognised that the Corporate Priorities and Values were not always owned by staff. It was felt that we needed to give staff a real sense of how their own work relates directly to the Council’s Values, Principles and Priorities. A new process of Quarterly Reviews and objective setting has been put in place, along with specific Performance Management and Development training for people managers, which replaces the more cumbersome Personal Development Appraisal (PDA) process. This Quarterly Review procedure will ensure that staff are consistently demonstrating their performance against the Corporate Values. Individual skills gaps and development needs will also be identified through the reviews. Staff work loads and progress are also monitored informally in 121 meetings carried by Team Leaders and Managers.

Service Plans and performance measures are held on InPhase, our performance and risk management system. This system was implemented in April 2014. These are updated regularly by officers and corporate reports can be produced using the RAG (red, amber, green) system. InPhase also holds the Blaby Plan and risk registers, and is being developed to link with back office systems within the Council to be used as a Business Intelligence (BI) reporting tool.

A Corporate Dashboard, which reports on a selection of measures, is produced monthly on InPhase, this is provided to a Scrutiny Working Group as an interactive report. This Dashboard is also made available in the Members Lounge in a hard copy format. 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. A Cabinet Member has portfolio responsibility for Performance Management, and provides challenge, as does the Leader.

## **Risk Management**

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

The Audit Committee plays a pivotal 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 of 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.

The CSE Assessors made specific reference to our partnership working saying:

*"Partnership arrangements are excellent and diverse and have a massive impact on a wide range of groups with benefits which can be validated with downward trends in anti-social behaviours, teenage pregnancies, drug abuse, etc. The Council are to be strongly commended for their mental health partnering initiatives and in particular 'Place To Grow'. They have gone on to say that these arrangements are "particularly strong and produce many benefits to the wider community".*

This has resulted in a Compliant Plus award in 2 areas due to our work with other providers and partners to offer and supply services, with demonstrable interaction, benefits and support to customers.

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

- The Lightbulb project which was part of the Government's Transformation Challenge Award. We are now piloting a new process which will lead to a county-wide project to transform practical housing support services across the 8 Leicestershire Councils to help people live safely and independently at home.
- We secured funding to run a Leicestershire-wide pilot project for the NHS at the Bradgate Mental Health Unit in Glenfield Hospital and the Leicester Royal Infirmary. We have reduced patient time in hospital and NHS costs by dealing with their welfare and housing problems from an early stage.
- The major housing development at Lubbethorpe is creating thousands of job opportunities for Blaby District residents.

The Peer Review concluded that *"BDC is seen as a good partner, and it has a reputation for successful brokerage between different organisations, sorting out bottlenecks in processes and working together to deliver the best for Blaby's residents and customers. Developers and landowners are keen to work with Blaby, and the Council is keen to maximise the benefits of this."*

## **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.

Examples of how we try and support businesses:

- Hold Business Breakfasts providing information, support and networking opportunities to local businesses.
- We have supported 18 companies over the last 5 years who, with over £1m in grant funding, have created 135 new jobs.
- Blaby Employment and Training (BEAT) where we have secured over £257k in partnership with Melton Borough Council to help residents into work.
- Helped businesses relocate to Blaby and support their growth e.g. Everards Depot to Optimus Point.

## **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 65% of residents agreeing with an increase if services were maintained and improved.
- 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.

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 23<sup>rd</sup> 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 29<sup>th</sup> 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. 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 2016/17 Budget Process**

As in recent years the 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 2016/17. 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 2016 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 £170,000. 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 15<sup>th</sup> February 2016 the Cabinet Executive considered the final budget proposals which were based around a net expenditure budget of £9.210m, supported by contributions of £10,184 from the General Fund Balance and £2,221,375 from Earmarked Reserves. The Cabinet Executive recommended the budget proposals to Council, and the budget was approved by Council at its meeting on 18<sup>th</sup> February 2016. At the same meeting the Council also approved the Council Tax for 2016/17, the fees and charges which support the delivery of the revenue budget, the Prudential Indicators and Treasury Management Strategy, and the 2016/17 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 2015, indicated that residents were supportive of an increase in Council Tax in order to protect the existing level of services. A comparison of Council Tax levels for 2015/16 and 2016/17 is shown in the table below.

	2015/16 £	2016/17 £	Change %
Leicestershire County Council			
- Main element	1,084.15	1,105.72	1.99
- Adult Social Care element	0.00	21.68	2.00
Leicestershire , Leicester & Rutland Combined Fire Authority	60.43	61.62	1.97
Office of the Police & Crime Commissioner for Leicestershire	180.00	183.58	1.99
Blaby District Council	143.32	148.32	3.49
Average Parish Councils	80.34	84.12	4.71
<b>Total</b>	<b>1,548.24</b>	<b>1,605.04</b>	<b>3.67</b>

## Council Tax Base

The Council Tax Base for 2016/17 was set at 31,566.60, an increase of 604.67 Band D equivalent properties compared with the previous year (30,961.93).

## Medium Term Financial Strategy 2016/17 to 2020/21

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document, and now forms part of the overall Blaby Plan. The MTFS was approved by the Council at its meeting on 18<sup>th</sup> February 2016 and provides a framework to enable the Council to address the significant financial challenges for 2016/17 and future financial years.

The 4 year forecast contained within the MTFS is reviewed and updated on an annual basis. At the time it was prepared the Council had received notification of the financial settlement for 2016/17, with indicative figures issued for the three year financial years beyond that.

The future funding envelope was, therefore, based upon those indicative figures as well as information received from external sources taking into account the national picture and applying that to arrive at an estimate of Blaby's future funding position. The budget approved by Council for 2016/17 was £9.210m. The MTFS highlighted future budget reduction targets of £3.02m for the three financial years from 2017/18 to 2019/20. By signing up to the Government's offer of a four year funding settlement (covering 2016/17 to 2019/20) in November 2016, the Council has been able to form a more comprehensive view of the future financial position, although there still remains a high degree of uncertainty. A revised financial summary was presented to Council in February 2017 which altered the gap, ranging from £0.75m up to £1.60m after allowing for changes to the allocation method for New Homes Bonus, and the impact of cuts to be imposed by Leicestershire County Council. The future savings required to balance the budget in the three subsequent financial years between 2018/19 and 2020/21 have been estimated at £3.80m.

### **Reserves and Balances**

The 2016/17 budget was approved on the basis that a contribution from balances of just over £10,000 was required in order to set a balanced budget, along with a planned release from earmarked reserves of £2,221,375. The Council actually made a surplus of £233,833 meaning that the General Fund Balance stands at £2,894,857 as at 31<sup>st</sup> March 2017. This represents 25.4% of the budgeted net revenue expenditure for 2017/18, 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 clear, from the projected savings target identified in the MTFS, that they are insufficient 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 has recently undergone a structural review, the results of which will be implemented with effect from 1<sup>st</sup> June 2017. The new structure should 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 2016/17**

The Council's 2016/17 revenue outturn position is shown in the table below. The original budget set at the Council meeting on 18<sup>th</sup> February 2016 was £9,210,072, supported by contributions of £10,184 from General Fund balances and £2,221,375 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, instead of a contribution of £10,184 from balances, it was forecast that £34,543 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 £233,833 for the financial year.

	2016/17 Approved Budget £	2016/17 Revised Budget £	2016/17 Actual Outturn £
<b>Expenditure by Portfolio:</b>			
Community Services	3,465,412	3,106,658	2,907,207
Finance, Efficiency & Assets	951,377	1,112,942	857,776
Health Improvement & Leisure Services	1,276,435	1,304,225	1,191,742
Leader	951,968	828,220	818,728
Neighbourhood & Environmental Health Services	3,336,032	3,505,077	3,539,910
Partnerships & Corporate Services	1,204,915	1,271,273	1,254,471
Planning, Economic Development & Housing Strategy	1,461,309	1,987,608	1,488,535
	12,647,448	13,116,003	12,058,369
<b>Central Items:</b>			
Revenue Contributions towards Capital Expenditure	110,000	507,233	315,181
Minimum Revenue Provision	784,269	665,016	665,016
Council Tax Support Grant paid to Parish Councils	195,096	195,096	195,096
Other Appropriations & Accounting Adjustments	(2,295,182)	(2,184,157)	(2,331,651)
Contribution to/(from) Earmarked Reserves	(2,221,375)	(2,909,050)	(1,940,880)
<b>Net Revenue Expenditure</b>	<b>9,220,256</b>	<b>9,390,141</b>	<b>8,961,131</b>
<b>Financed by:</b>			
Revenue Support Grant	(952,284)	(952,284)	(952,284)
Income from Business Rates	(2,390,427)	(2,531,056)	(2,095,342)
New Homes Bonus Grant	(2,057,132)	(2,057,132)	(2,061,822)
Transition Grant	(11,153)	(11,153)	(11,153)
Other Non Ring-fenced Government Grants	(303,013)	(307,911)	(578,301)
Council Tax Demand on the Collection Fund	(4,681,841)	(4,681,841)	(4,681,841)
Council Tax (Surplus)/Deficit	(7,008)	(7,008)	(7,008)
NNDR (Surplus)/Deficit	1,192,786	1,192,787	1,192,787
	<b>(9,210,072)</b>	<b>(9,355,598)</b>	<b>(9,194,964)</b>
<b>Contribution to/(from) General Fund Balances</b>	<b>(10,184)</b>	<b>(34,543)</b>	<b>233,833</b>

### **Capital Programme 2016/17**

The 2016/17 Capital Programme of £3,182,055 was approved by Council on 18<sup>th</sup> February 2016. This included £2,110,000 of expenditure on the construction of a new depot at Whetstone, bringing the total cost of the project to £6,110,000. Other significant projects for 2016/17 were the Fleet Vehicle Replacement Programme (£320,000), Disabled Facilities Grants (£450,000) and the replacement of our back office IT system (£141,000).

As 2016/17 progressed, the initial plans were revised to incorporate expenditure carried forward from the previous financial year, new assumptions, approvals and scheme updates, as information became available.

The Neighbourhood Services workforce moved to the new depot upon completion in November 2016. The former depot at Littlethorpe is currently in the process of being demolished and Council are scheduled to consider options for its future use during May 2017.

The final expenditure on capital schemes in 2016/17 was £4,964,773 compared to the revised forecast spend of £6,699,206. The variance between the forecast and outturn was £1,734,433 or 25.89%. 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 £1,189,527 to 2017/18 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.

	2016/17 £	2015/16 £
<b>Capital Expenditure</b>		
Leisure and Recreation	36,344	31,320
Fleet, Refuse and Recycling	3,954,480	3,070,706
Private Sector Housing	339,905	427,665
ICT and Other Equipment	63,875	88,126
Community Development	304,905	244,730
Council Offices and Other Assets	265,264	65,470
	<b>4,964,773</b>	<b>3,928,017</b>
<b>Financed By</b>		
Borrowing	3,435,876	910,051
Capital Receipts	718,957	2,368,690
Government Grants	259,800	262,505
Other Grants and Contributions	234,959	144,423
Revenue Contributions	133,461	151,472
Reserves	181,720	90,876
	<b>4,964,773</b>	<b>3,928,017</b>

The most significant variances between actual expenditure and planned expenditure in 2016/17 are as follows:

	Planned Capital Expenditure £	Actual Capital Expenditure £	Variance Overspend (Underspend) £
Disabled Facilities Grants	723,168	324,874	(398,294)
Various Section 106-backed Schemes	544,966	212,338	(332,628)
Fleet Replacement Programme	943,894	623,894	(320,000)
Demolition of former Littlethorpe Depot	167,582	19,137	(148,445)
Replacement of Back Office Systems	141,000	0	(141,000)
Empty Property Grants and Loans	51,664	5,315	(46,349)
Customer Channel Shift project	45,638	0	(45,638)
Other Schemes	4,081,294	3,779,215	(302,079)
	<b>6,699,206</b>	<b>4,964,773</b>	<b>(1,734,433)</b>

## 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.

	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £
Long Term Assets	31,766,087	29,035,986
Current Assets	19,976,068	19,316,822
Current Liabilities	(14,025,306)	(11,088,110)
Long Term Liabilities (including net Pension Liability)	(34,696,818)	(28,673,174)
<b>Net Assets/(Liabilities)</b>	<b>3,020,031</b>	<b>8,591,524</b>
Funded by:		
Usable Reserves	11,100,223	13,005,573
Unusable Reserves	(8,080,192)	(4,414,049)

## 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 31<sup>st</sup> March 2017 amounted to £30,798,000 (£24,687,000 as at 31<sup>st</sup> March 2016) 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. The balance sheet position has worsened compared with the position as at the previous year end. This is partly a result of a significant decrease in the net discount rate over the period, partially offset by a greater than expected return on assets. However, the effect of the 2016 formal actuarial valuation calculations and the resulting "step change" in the roll forward approach used by the pension fund Actuary has also had a significant impact. The net liability at 31<sup>st</sup> March 2017 is based on a roll forward from the 2016 formal valuation, whereas the 2016 balance sheet position was based on a roll forward from the 2013 formal valuation. This "step change" has given rise to a considerable movement in the re-measurement experience items in the balance sheet reconciliation. 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 18<sup>th</sup> February 2016, sets a range of prudential indicators including the authorised and operational limits on borrowing. During 2016/17 the Council did not need to undertake any long term borrowing due to the healthy state of its reserves and balances.

Loan debt repaid during the year, including repayment of short term loans, was £306,280.

The following table illustrates the limits and levels of borrowing as at 31<sup>st</sup> March 2017 as compared to the preceding year end.

	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £
<b>Borrowing Limits:</b>		
Authorised Limit for External Debt	8,700,000	10,700,000
Operational Boundary	7,830,000	9,630,000
<b>Actual Borrowing:</b>		
Long Term Borrowing	2,944,620	3,134,697
Short Term Borrowing	190,077	306,280
	<b>3,134,697</b>	<b>3,440,977</b>

## Reserves and Balances

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

	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £
<b>Revenue Reserves:</b>		
General Fund	2,894,857	2,661,024
Earmarked Reserves – Revenue	6,237,470	8,178,350
<b>Capital Resources:</b>		
Usable Capital Receipts	1,138,638	1,543,542
Capital Grants and Contributions	829,258	622,657

## Provisions, Contingencies and Material Write-offs

The Balance Sheet includes provisions totalling £2,056,502 as at 31<sup>st</sup> March 2017 – 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 £1,713,246 at 31<sup>st</sup> March 2017 (£1,941,609 at 31<sup>st</sup> March 2016).

Where a liability is possible but not likely, or the cost cannot be reliably estimated, the Council is required to disclose a contingent liability. This disclosure appears in note 38.

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:

	<b>2016/17</b>
	<b>£</b>
Collection Fund Write Offs	1,069,995
General Fund Write Offs	91,690
	<b>1,161,685</b>

Collection Fund debt written off includes £895,697 in respect of businesses which went into administration during the year.

## **Non-Financial Performance of the Council 2016/17**

### **Achievements**

The Leader's statement to Annual Council on 23<sup>rd</sup> May 2017 identified the following key achievements which the Council made during 2016/17.

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

- Youth Council Development Opportunities – a pilot scheme was launched, which saw Youth Council members shadow District Councillors in their duties, offering them a unique insight into the responsibilities of Councillors and the workings of the Council. Following this, the Youth Council is going from strength to strength.
- New Economic Development Strategy - The Council adopted a new Economic Development Strategy to ensure it is well positioned to build on its economic strengths and take advantage of the opportunities for inward investment, business support and skills improvement.
- Keys handed over to the new depot – The new depot was handed over in August 2016 and has since won a Silver Considerate Constructors Award as well as being shortlisted for Project of the Year in the Celebrating Construction Awards and shortlisted for Best Public Service Building in the East Midlands LABC Building Excellence Awards. We will know shortly whether the Council has been successful.
- Member Development charter - Awarded the councillor Development charter for the third time
- Fosse Park jobs and skills fair – event attracted 39 companies and organisations, and over 600 job seekers attended. A further fair is planned for later this month which we are expecting to be even more successful.
- Castle Acres Development Approved - Castle Acres, the retail and leisure development located next to Fosse Park, was approved after a meeting of Blaby District Council's (BDC) Planning Committee. At the meeting on 8 November, members of the committee approved the application after Officer's recommendation, following a thorough 18-month process. The £150 million project will include approximately 288,000 square foot of floorspace for a range of new shops, restaurants and cafes; and is expected to start on site during Summer 2017.
- Lubbesthorpe Ribbon Cutting - The formal commencement of the residential development at Lubbesthorpe were celebrated at an official launch event held on Friday 2nd December. Around 150 homes have now been sold and the first residents have moved in.
- Small Business Event - BDC supported the 'Small Business Saturday' campaign again this year by offering free car parking on Saturday 3rd December in the council run car parks in Blaby Town Centre and in Narborough village, to encourage people to shop local and to stay longer.

- Careers Day at Countesthorpe College - Year 10 students at Countesthorpe College were given an insight into the media and communications industry at their annual careers day. The Council's Communications Officer went along and presented to over 60 interested students.
- Customer Service Excellence as Standard - The highly respected Customer Service Excellence standard (CSE) was awarded to BDC for the fifth year in a row.
- Blaby Business Breakfast Event – These popular Business Breakfast events continue to take place 3 times a year, and are hugely successful. Around 60 local businesses and partner organisations attended the last breakfast.
- Council fleet rolling out new branding - The first new fleet vehicle to adopt the Council's corporate colour scheme is due to arrive in May.
- Everards Meadows - Work commenced in March, with the delivery of the two access points into the site. Stage two will be the construction of the internal spine road, Everards buildings, cycle centre and hospitality space.
- National Apprenticeship Week - BDC marked National Apprenticeship Week by highlighting the work of their seven apprentices and the difference apprenticeships can make to lives. The Council also won the Large Employer of the Year award from the Leicester Apprentice Hub.
- Employment Support in Benefits - The team made contact with 245 local residents between October 2016 and March 2017 and following support received from the employment support workers 15 of these residents are now in work.
- Better Business for All Partnership Blaby is a key partner in the award winning partnership which works across a wide area to support business growth by reducing regulatory burden on our local businesses.

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

- Age-wise Blaby District – Replaced the Over 50's forum and became a constituted group, holding a celebratory launch event in October.
- A Place to Grow– Over 300 residents attended the Open Day. The site continues to be well used with over 1600 attendees in the last year gaining health and wellbeing support. The site now hosts a variety of courses including those run by the Recovery College
- Ageing Well Guide Launched - helps to signpost residents to support available in the District and aims to reduce isolation and improve health and wellbeing.
- 20 Walks around Britain - Fosse Meadows was mentioned as part of a circular walk from Claybrooke Magna, Fosse Meadows and on to Sharnford in the Telegraphs weekend supplement.
- Osiers Nature Area Improvements – Work started in August 2016 and continued through the winter months, including refurbishment of footpaths, new signage, woodland works and grassland restoration.
- Lightbulb Business Case – Completed in September, the business case sets out how customers, local authority partners and the wider health and care economy in Leicestershire will benefit from a new way of delivering services. Phase one roll out will commence in Blaby from May 2017.
- Wheels Project – the mobile skate park generated over £3,000 profit during the summer whilst engaging with nearly 400 young people.
- Royal Society of Public Health – The Health and Leisure Services Team are now accredited as a qualification centre
- Blaby District Local Sports Alliance (LSA) Sports Awards - Volunteers, clubs and sporting stars were given an evening to remember at the seventh annual Blaby District Local Sports Alliance (LSA) Sports Awards which took place at Countesthorpe Leysland Community College.
- Refurbishment of Pavilion Dance Studio - Throughout September the dance studio at the Pavilion had a full refurbishment.
- Pavilion Cycle Revolution - The Pavilion saw the launch of its new class Cycle Revolution in January 2017.

- Annual Health Summit - Blaby district health partnership held their Annual Health Summit in January 2017. This was the 2<sup>nd</sup> one of its kind and attracted a wide range of partners from health, social care, voluntary and community organisations.
- JUST Programme - The Sport and Physical Activity team worked together with Harborough District Council to deliver the JUST programme, a campaign to help inactive women aged between 16yrs and 25yrs get active in the community.
- Workplace Challenge - Workplace Challenge is a national programme which uses a web-based tool to monitor physical activity. BDC has a history as strong participants and during the February campaign BDC had 45 users, the most in Leicestershire and Rutland.
- Dementia friendly Parish Councils and GP Surgeries - Glen Parva Parish Council and Enderby Parish Council became the first Parish Councils to sign up as supporters to Blaby District Dementia Action Alliance.
- Channel shift – Over 10,000 sign ups for “My Account” by the end of March 2017, and over 4,000 residents now using the on line system to access their Council Tax accounts.

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

- Don't Hate, Educate - An important evening of education on hate crime was successfully organised by Blaby District Youth Council in July.
- Outstanding Achievement Awards – Held in September 2016
- Blaby Citizen Portal launched – a new site offering those living within the District of Blaby a unique chance to view and track the performance of their local council. A range of performance indicators are monitored to support the priorities of the Council, which not only provide information to residents, but also help manage services effectively.
- Glen Parva Nature Reserve Green flag Award – Received the Award for the third year running.
- Licensed vehicle spot checks at East Midlands Airport – 147 vehicles checked, including 3 Blaby district licensed vehicles during a 4 hour operation.
- Dog Control Public Space Protection Order – Since May 2016 a number of Fixed Penalty notices have been issued to those found to be in breach of the order.
- Fly-tipping action – A resident was successfully prosecuted in the Magistrates court for 2 offences of fly tipping. 3 Residents have also been issued with Simple Cautions for Duty of Care offences in relation to fly tipping incidents.
- Abandoned Vehicles - Environmental Health and Environmental Service Teams were featured in the “Dom on the Spot” BBC programme, focussing on action taken in response to abandoned vehicles being removed from residential areas and dog fouling.
- Community Protection Warnings/Notices – 5 Community Protection Warnings/Notices have been served on properties within the district requiring works to be undertaken.
- Environmental Health and Police joint operation - The Environmental Health Department and Police ran a joint operation in Huncote and Enderby in November where 5 untaxed vehicles were removed following complaints from local residents.
- Littering – Environmental Health have served 5 fixed penalties for littering offences investigated within the District.
- Launch of Huncote Community Cinema – The Pavilion launched their community cinema programme which focuses on reducing social isolation and loneliness and improve health and wellbeing through Arts activity, supported by the Health and Arts Development Service.
- Countesthorpe PSPO - The end of the Public Spaces Protection Order in Countesthorpe was announced in January. A noticeable reduction in anti-social behaviour in Countesthorpe was achieved. As a result, the Antisocial Behaviour Officer, Community Services Manager and Assistant Manager and Community Service Group Manager were awarded a Chief Constable Commendation for partnership working with the police.
- Going to Extremes - a new play by the Alter Ego Theatre Company, who have previously produced

the award winning Chelsea's Choice was commissioned, called 'Going to Extremes', will focus on a young person's story of how he was drawn into joining an extreme right wing organisation and how his experience of being targeted because of his vulnerabilities is similar to 2 other young people who were drawn into other extreme terrorist organisations. The plays have been delivered in local schools and a public performance is planned for October.

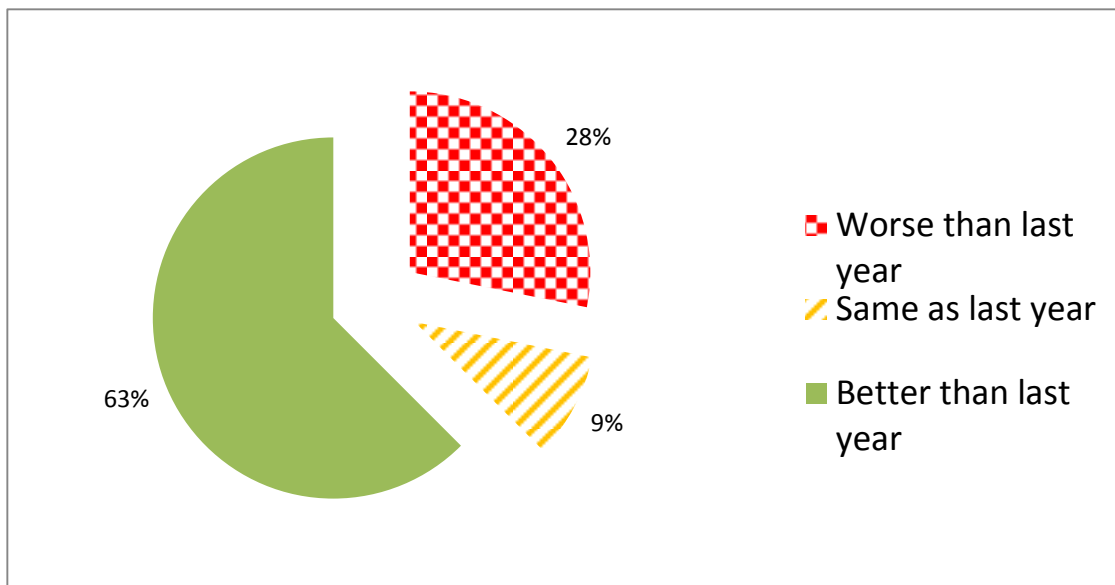
- Animal Services & Dogs Trust Event - Animal Services held an event in March providing information on dog laws, safety and included the option for owners to access subsidised training classes.

### **Performance Against Corporate Objectives**

Key Performance indicators are monitored and reported regularly and an annual report of performance is 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 32 key indicators where 2016/17 performance is compared to the previous year.



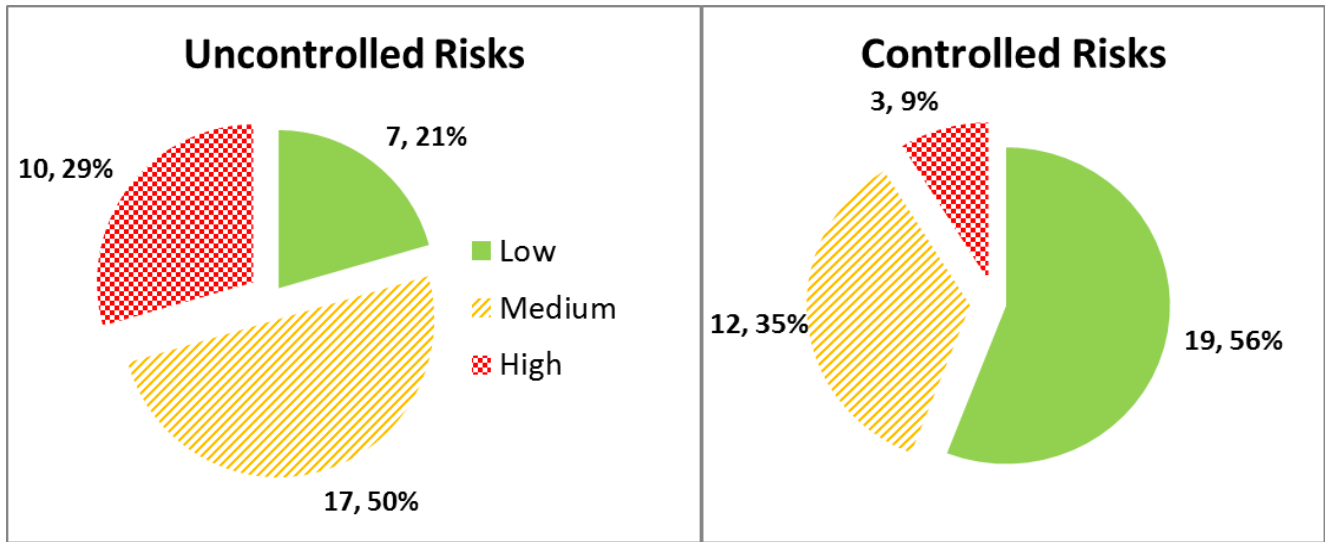
The Peer Review, which took place in October 2015 commented:

*“Blaby District Council (BDC) is a great council which is performing well with no major concerns.”*

Of the measures that could be compared, 9 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 excess weight. 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 is showing improvement over the last 4 months. Other measures are reliant upon third parties where we are working with partners to improve services, for example, vehicle crime which is now showing improvement due to on-going police operations. 23 measures have improved or stayed the same compared to last year. This is particularly true of improvements in “end to end” times in making planning decisions and increases in the number of members at the Pavilion Leisure Centre.

### **Corporate Risks**

There were 34 identified Corporate Risks as at 31<sup>st</sup> March 2017. 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 2016/17 with a budget surplus of £0.234m. 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, but it is recognised that there are significant budget reductions to make across the life of the current MTFs and beyond.

In 2016/17, the Council has faced and dealt successfully with significant change. This trend will continue and undoubtedly accelerate as the devolution agenda takes shape but the Council is well placed to adapt to the challenges and to take advantage of the opportunities offered. There are risks as highlighted above, but there are well established and robust risk management processes in place to mitigate those risks.

### **Receipt of Further Information**

For further information about these accounts please email [finance@blaby.gov.uk](mailto: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, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.



**Sarah Pennelli**  
**Director of People & Finance (Section 151 Officer)**  
**26<sup>th</sup> September 2017**

### **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.

### **Changes to the Core Financial Statements**

CIPFA have undertaken a review of the format of the core financial statements as part of their “Telling the Story” exercise. The aim of this was to make the accounts more understandable and to provide better links to local authorities’ internal reporting arrangements.

As a result, a number of changes have been made to the 2017/18 Code which have had an impact on the core financial statements and supporting disclosure notes. This includes a simplified Movement in Reserves Statement, and a Comprehensive Income and Expenditure Statement presented in the Council’s reporting format rather than in the layout previously required by the Service Reporting Code of Practice (SeRCOP). This also requires a full retrospective restatement of the 2015/16 comparative figures in the 2016/17 Statement of Accounts. Further details of the restatement between SeRCOP and Blaby’s portfolio reporting format can be found in note 41, Prior Period Adjustments.

## **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 Director of People & Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### **The Director of People & Finance's Responsibilities**

The Director of People & Finance 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 Director of People & Finance 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 Director of People & Finance has also:

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

**I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2017 and the Council's income and expenditure for the year then ended.**



**Sarah Pennelli**  
**Director of People & Finance (Section 151 Officer)**  
**26<sup>th</sup> September 2017**

## **APPROVAL OF ACCOUNTS**

This audited Statement of Accounts was approved and adopted by Blaby District Council's Audit Committee at its meeting on 26<sup>th</sup> September 2017.



Councillor Graham Huss,  
Vice Chairman, Audit Committee,  
26<sup>th</sup> September 2017

**BLABY DISTRICT COUNCIL  
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2015/16 Gross Expenditure Restated £	2015/16 Gross Income Restated £	2015/16 Net Expenditure Restated £		2016/17 Gross Expenditure £	2016/17 Gross Income £	2016/17 Net Expenditure £
19,079,309	(17,484,807)	1,594,502	Community Services	19,157,123	(16,171,916)	2,925,207
1,555,145	(109,661)	1,445,484	Finance, Efficiency and Assets	1,401,037	(104,580)	1,296,457
2,086,969	(840,637)	1,246,332	Health Improvement and Leisure Services	1,924,928	(793,186)	1,191,742
880,808	(103,902)	776,906	Leader	927,213	(108,486)	818,727
5,148,312	(2,025,448)	3,122,864	Neighbourhood and Environmental Health Services	5,689,864	(2,112,298)	3,577,566
1,435,466	(374,947)	1,060,519	Partnership and Corporate Services	1,636,283	(381,812)	1,254,471
2,041,323	(756,635)	1,284,688	Planning, Economic Development and Housing Strategy	2,102,767	(614,232)	1,488,535
<b>32,227,332</b>	<b>(21,696,037)</b>	<b>10,531,295</b>	<b>Cost of Services</b>	<b>32,839,215</b>	<b>(20,286,510)</b>	<b>12,552,705</b>
2,202,666	0	2,202,666	Other Operating Expenditure (Note 10)	2,524,505	0	2,524,505
3,302,930	(2,325,211)	977,719	Financing and Investment Income and Expenditure (Note 11)	3,210,715	(2,408,803)	801,912
14,753,366	(28,175,922)	(13,422,556)	Taxation and Non-Specific Grant Income and Expenditure (Note 12)	14,748,397	(28,555,961)	(13,807,564)
		<b>289,124</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>2,071,558</b>
		(974,259)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			(1,505,733)
		(11,298,138)	Re-measurement of the net defined benefit liability			5,005,668
		<b>(12,272,397)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>3,499,935</b>
		<b>(11,983,273)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>5,571,493</b>

**BLABY DISTRICT COUNCIL  
MOVEMENT IN RESERVES STATEMENT**

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

<u>2015/16</u>	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £
<b>Balance at 31<sup>st</sup> March 2015</b>	10,639,706	3,580,465	215,710	<b>14,435,881</b>	(17,827,630)	<b>(3,391,749)</b>
<b>Movement in Reserves during 2015/16</b>						
Surplus/(Deficit) on Provision of Services	(289,124)	0	0	<b>(289,124)</b>	0	<b>(289,124)</b>
Other Comprehensive Income & Expenditure	0	0	0	<b>0</b>	12,272,397	<b>12,272,397</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(289,124)</b>	<b>0</b>	<b>0</b>	<b>(289,124)</b>	<b>12,272,397</b>	<b>11,983,273</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	488,792	(2,036,923)	406,947	<b>(1,141,184)</b>	1,141,184	<b>0</b>
<b>Increase/(Decrease) in 2015/16</b>	<b>199,668</b>	<b>(2,036,923)</b>	<b>406,947</b>	<b>(1,430,308)</b>	<b>13,413,581</b>	<b>11,983,273</b>
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>10,839,374</b>	<b>1,543,542</b>	<b>622,657</b>	<b>13,005,573</b>	<b>(4,414,049)</b>	<b>8,591,524</b>

**BLABY DISTRICT COUNCIL  
BALANCE SHEET**

31 <sup>st</sup> March 2016 £		Note	31 <sup>st</sup> March 2017 £
27,561,399	Property, Plant and Equipment	13	31,359,479
175,000	Investment Property	15	175,000
135,734	Intangible Assets	16	101,856
1,022,556	Long Term Investments	17	0
141,297	Long Term Debtors	17	129,752
<b>29,035,986</b>	<b>Long Term Assets</b>		<b>31,766,087</b>
65,005	Assets Held for Sale	20	2
34,495	Inventories		54,899
2,632,863	Short Term Investments	17	4,826,015
3,998,475	Short Term Debtors	18	3,270,057
12,585,984	Cash and Cash Equivalents	19	11,825,095
<b>19,316,822</b>	<b>Current Assets</b>		<b>19,976,068</b>
(520,806)	Cash and Cash Equivalents	19	(857,409)
(331,382)	Short Term Borrowing	17	(213,357)
(6,912,906)	Short Term Creditors	21	(9,207,905)
(77,572)	Grants Receipts in Advance – Revenue	32	0
(1,047,366)	Grants Receipts in Advance - Capital	32	(1,690,133)
(2,198,078)	Provisions	22	(2,056,502)
<b>(11,088,110)</b>	<b>Current Liabilities</b>		<b>(14,025,306)</b>
(3,591,013)	Long Term Borrowing	17	(3,400,786)
(25,082,161)	Other Long Term Liabilities		(31,296,032)
<b>(28,673,174)</b>	<b>Long Term Liabilities</b>		<b>(34,696,818)</b>
<b>8,591,524</b>	<b>Net Assets</b>		<b>3,020,031</b>
(13,005,573)	Usable Reserves	7/8/9	(11,100,223)
4,414,049	Unusable Reserves	23	8,080,192
<b>(8,591,524)</b>	<b>Total Reserves</b>		<b>(3,020,031)</b>



**Sarah Pennelli**  
**Director of People & Finance (Section 151 Officer)**  
**26<sup>th</sup> September 2017**

**BLABY DISTRICT COUNCIL**  
**CASH FLOW STATEMENT**

2015/16 £		Note	2016/17 £
<b>289,124</b>	<b>Net (surplus)/deficit on the provision of services</b>		<b>2,071,558</b>
	<b>Adjustments to the net (surplus)/deficit on the provision of services for non cash movements:</b>		
(1,473,581)	Depreciation		(1,920,176)
(48,968)	Amortisations		(55,618)
207,670	(Increase)/decrease in creditors		(932,620)
1,148,817	Increase/(decrease) in debtors		(607,998)
1,044	Increase/(decrease) in inventories		20,404
(1,623,139)	Movement in pension liability		(1,105,332)
(39,678)	Carrying amount of non current assets and non current assets held for sale, sold or derecognised		(171,644)
207,537	Other non cash items charged to the net (surplus)/deficit on the provision of services		141,576
(1,331,174)			(2,559,850)
1,145,642	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	24	1,015,791
(185,532)	Net cash flows from Operating Activities		(1,544,059)
(5,638,136)	Investing Activities	25	4,959,622
(1,403,091)	Financing Activities	26	(2,318,071)
<b>(7,226,759)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>1,097,492</b>
<b>(4,838,419)</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(12,065,178)</b>
<b>(12,065,178)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(10,967,686)</b>

**BLABY DISTRICT COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**

**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 2016/17 financial year and its position at the year end 31<sup>st</sup> March 2017. 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 2016/17, 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 31<sup>st</sup> March but the invoice relating to the goods or services is paid after 31<sup>st</sup> March. Similarly, income is accrued where it is due before 31<sup>st</sup> 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 1<sup>st</sup> 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 of 3.5%, based on

the indicative rate of return on high quality corporate bonds.

- The assets of the pension fund attributable to the Council are included in the balance sheet at their fair value:
  - 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.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant 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***

#### Finance Leases

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

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in 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 1<sup>st</sup> 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 2017/18 Code:

- Amendment to the reporting of pension fund scheme transaction costs.

- Amendment to the reporting of investment concentration.

Neither of these amended standards apply to Blaby District Council as they relate only to pension fund administrating authorities.

### **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:

- There is a high degree of uncertainty about future levels of funding for local government, and 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.
- 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.
- 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 made based on an assessment of outstanding appeals at 31<sup>st</sup> March 2017 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.

### **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 31<sup>st</sup> March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £157,834 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% (£8,302,000).  However, the assumptions interact in complex ways. During 2016/17, the actuaries advised that the net pension liability had decreased by £1,940,000 as a result of experience and increased by £14,412,000 attributable to updating of the financial and demographic assumptions.
Arrears	At 31 <sup>st</sup> March 2017, the Council had a balance of sundry debtors for £2,072,580. A review of significant balances suggested that on average an impairment of doubtful debts of just under 45% (£917,712) 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 £107,158 to be set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## **5. MATERIAL ITEMS OF INCOME AND EXPENSE**

Included within the Community Services line in the Comprehensive Income and Expenditure Statement for 2015/16 is income of £1,000,000 in respect of a Transformational Challenge Award grant. This is a non-recurring government grant which is being used to fund the Light Bulb project, for which Blaby District Council is the lead authority. The principal aim of Light Bulb is to implement an integrated housing offer to health across Leicestershire.

## **6. EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Director of People and Finance on 31<sup>st</sup> May 2017. 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 31<sup>st</sup> March 2017 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.

2015/16				2016/17		
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 £
1,294,407	300,095	1,594,502		Community Services	2,784,425	140,782
482,854	962,630	1,445,484	Finance, Efficiency and Assets	(169,454)	1,465,911	1,296,457
1,176,299	70,033	1,246,332	Health Improvement and Leisure Services	1,153,024	38,718	1,191,742
789,021	(12,115)	776,906	Leader	774,794	43,933	818,727
2,403,153	719,711	3,122,864	Neighbourhood and Environmental Health Services	3,035,757	541,809	3,577,566
800,119	260,400	1,060,519	Partnership and Corporate Services	893,263	361,208	1,254,471
1,219,065	65,623	1,284,688	Planning, Economic Development and Housing Strategy	1,450,006	38,529	1,488,535
<b>8,164,918</b>	<b>2,366,377</b>	<b>10,531,295</b>	<b>Net Cost of Services</b>	<b>9,921,815</b>	<b>2,630,890</b>	<b>12,552,705</b>
(8,364,586)	(1,877,585)	(10,242,171)	Other Income and Expenditure	(8,214,768)	(2,266,379)	(10,481,147)
<b>(199,668)</b>	<b>488,792</b>	<b>289,124</b>	<b>(Surplus) or Deficit</b>	<b>1,707,047</b>	<b>364,511</b>	<b>2,071,558</b>
<b>10,639,706</b>			<b>Opening General Fund Balance</b>	<b>10,839,374</b>		
<b>199,668</b>			<b>Less/Plus Surplus or (Deficit) on General Fund Balance in Year</b>	<b>(1,707,047)</b>		
<b>10,839,374</b>			<b>Closing General Fund Balance at 31<sup>st</sup> March</b>	<b>9,132,327</b>		

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 1 <sup>st</sup> April 2016	8,178,350	2,661,024	10,839,374
Movement in Earmarked Reserves	(1,940,880)	0	(1,940,880)

Movement in Unallocated General Fund Balances	0	233,833	233,833
<b>Balance as at 31<sup>st</sup> March 2017</b>	<b>6,237,470</b>	<b>2,894,857</b>	<b>9,132,327</b>

## 7a. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

### 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
Finance, Efficiency and Assets	1,288,814	15,147	161,950	1,465,911
Health Improvement and Leisure Services	25,354	15,453	(2,090)	38,717
Leader	14,048	28,760	1,125	43,933
Neighbourhood and Environmental Health Services	461,581	70,737	9,492	541,810
Partnership and Corporate Services	330,931	26,381	3,896	361,208
Planning, Economic Development and Housing Strategy	12,534	26,060	(65)	38,529
<b>Net Cost of Services</b>	<b>2,220,147</b>	<b>236,653</b>	<b>174,090</b>	<b>2,630,890</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(1,432,905)</b>	<b>868,679</b>	<b>(1,702,153)</b>	<b>(2,266,379)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>787,242</b>	<b>1,105,332</b>	<b>(1,528,063)</b>	<b>364,511</b>

### Adjustments between Funding and Accounting Basis 2015/16

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	172,961	142,617	(15,483)	300,095
Finance, Efficiency and Assets	771,272	38,771	152,587	962,630
Health Improvement and Leisure Services	34,179	38,242	(2,388)	70,033
Leader	17,558	(23,549)	(6,124)	(12,115)
Neighbourhood and Environmental Health Services	456,810	183,015	79,886	719,711
Partnership and Corporate Services	196,257	68,953	(4,810)	260,400
Planning, Economic Development and Housing Strategy	9,230	62,875	(6,482)	65,623
<b>Net Cost of Services</b>	<b>1,658,267</b>	<b>510,924</b>	<b>197,186</b>	<b>2,366,377</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(1,522,542)</b>	<b>1,112,213</b>	<b>(1,467,256)</b>	<b>(1,877,585)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>135,725</b>	<b>1,623,137</b>	<b>(1,270,070)</b>	<b>488,792</b>

### 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:

	<b>2016/17</b> £	<b>2015/16</b> £
<b>Expenditure</b>		
Employee benefits expenses	10,358,273	10,397,601
Other services expenses	20,476,123	20,266,531
Support service recharges	14,332,212	13,061,467
Depreciation, amortisation and impairment	2,599,663	2,095,398



Interest payments	1,148,871	1,427,140
Precepts and levies	2,655,370	2,487,622
Gain on the disposal of assets	(130,865)	(284,956)
<b>Total Expenditure</b>	<b>51,439,647</b>	<b>49,450,803</b>
<b>Income</b>		
Fees, charges and other service income	(4,820,356)	(5,438,174)
Recharges to other services	(14,332,212)	(13,061,467)
Interest and investment income	(168,775)	(240,411)
Income from council tax	(7,397,283)	(6,939,885)
Income from non domestic rates	(2,384,050)	(2,314,825)
Government grants and contributions	(20,265,413)	(21,166,917)
<b>Total Income</b>	<b>(49,368,089)</b>	<b>(49,161,679)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>2,071,588</b>	<b>289,124</b>

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>
Community Services	(483,798)	(996,057)
Finance, Efficiency & Assets	(401,699)	(380,390)
Health Improvement & Leisure Services	(566,304)	(556,242)
Leader	(5,207)	(24,162)
Neighbourhood & Environmental Health Services	(2,510,177)	(2,402,692)
Partnerships & Corporate Services	(338,584)	(340,996)
Planning, Economic Development & Housing Strategy	(514,587)	(737,635)
<b>Total Revenue from External Customers</b>	<b>(4,820,356)</b>	<b>(5,438,174)</b>

## **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.

<b>2016/17</b>	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £
<b>Adjustments to Revenue Resources</b>			
<i>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:</i>			
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
<b>Total Adjustments to Revenue Resources</b>	<b>1,647,217</b>	<b>0</b>	<b>240,512</b>
<b>Adjustments between Revenue and Capital Resources</b>			
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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,282,706)</b>	<b>302,509</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
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)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(707,413)</b>	<b>(33,911)</b>
<b>Total Adjustments</b>	<b>364,511</b>	<b>(404,904)</b>	<b>206,601</b>

<b>2015/16 Comparative Figures</b>	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £
<b>Adjustments to Revenue Resources</b>			
<i>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:</i>			
Pensions costs (transferred to/from the Pensions Reserve)	1,623,138	0	0
Council tax and NNDR (transfers to/from Collection Fund Adjustment Account)	(1,233,013)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(37,058)	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)	1,321,201	0	426,998
<b>Total Adjustments to Revenue Resources</b>	<b>1,674,268</b>	<b>0</b>	<b>426,998</b>
<b>Adjustments between Revenue and Capital Resources</b>			

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(324,634)	324,634	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(618,494)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(242,348)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,185,476)</b>	<b>324,634</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(2,368,690)	0
Repayment of Capital Loans (transfer to the Capital Adjustment Account)	0	7,133	0
Application of capital grants to finance capital expenditure	0	0	(20,051)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(2,361,557)</b>	<b>(20,051)</b>
<b>Total Adjustments</b>	<b>488,792</b>	<b>(2,036,923)</b>	<b>406,947</b>

## 9. MOVEMENTS 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 2016/17.

	Balance at 1 <sup>st</sup> April 2015 £	Transfers Out 2015/16 £	Transfers In 2015/16 £	Balance at 31 <sup>st</sup> March 2016 £	Transfers Out 2016/17 £	Transfers In 2016/17 £	Balance at 31 <sup>st</sup> March 2017 £
Leisure Centre Renewals	85,342	0	0	85,342	0	0	85,342
I.T. Reserve Fund	100,000	0	0	100,000	0	0	100,000
Licensing Reserve	25,485	0	0	25,485	0	1,458	26,943
Insurance Reserve Fund	100,000	0	0	100,000	0	0	100,000
Leasehold Covenants	14,000	(3,465)	16,065	26,600	(26,600)	0	0
Special Schemes (Capital)	320,000	(90,876)	320,876	550,000	(181,720)	0	368,280
Special Schemes (Revenue)	200,000	(36,625)	536,625	700,000	0	0	700,000
General Reserve Fund	2,531,111	(620,061)	688,950	2,600,000	(579,100)	0	2,020,900
Ongoing Projects	942,551	(942,551)	1,478,999	1,478,999	(1,017,485)	837,003	1,298,517
Elections Reserve	184,000	(38,651)	0	145,349	0	30,000	175,349
Choice Based Lettings	42,952	(10,000)	0	32,952	(10,000)	0	22,952
New Homes Bonus Reserve	96,915	(31,973)	0	64,942	(5,315)	0	59,627
LAMS Default Reserve	229,021	(67,856)	0	161,165	0	0	161,165
Economic Development	50,000	0	0	50,000	0	0	50,000
Supporting Families Reserve	80,000	0	0	80,000	(26,667)	0	53,333
Community Rights Reserve	48,724	0	0	48,724	0	0	48,724
Waste Collection Grant	695,544	(232,000)	0	463,544	(232,000)	0	231,544
Council Tax Support	231,154	(49,754)	68,600	250,000	0	0	250,000
Parish New Homes Bonus	204	0	243	447	0	0	447
NNDR Income Reserve	1,780,603	(565,802)	0	1,214,801	(730,454)	0	484,347
<b>Total</b>	<b>7,757,606</b>	<b>(2,689,614)</b>	<b>3,110,358</b>	<b>8,178,350</b>	<b>(2,809,341)</b>	<b>868,461</b>	<b>6,237,470</b>

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.

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 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.
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. This will be used to support revenue expenditure across the next four financial years.
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.

## **10. OTHER OPERATING EXPENDITURE**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>
Parish Council Precepts	2,655,370	2,487,622
(Gains)/losses on the disposal of non-current assets	(130,865)	(284,956)
<b>Total</b>	<b>2,524,505</b>	<b>2,202,666</b>

## **11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>
Interest payable and similar charges	281,871	319,140
Net interest on the net defined benefit liability	867,000	1,108,000

Interest receivable and similar income	(154,776)	(226,411)
Income and expenditure in relation to investment properties and changes in their fair value	(14,000)	(14,000)
Net (Surplus)/Deficit on Trading Operations	(178,183)	(209,010)
<b>Total</b>	<b>801,912</b>	<b>977,719</b>

## 12. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

	2016/17 £	2015/16 £
Council tax income	(7,397,283)	(6,939,885)
Non domestic rates	(2,384,050)	(2,314,825)
Non ring-fenced government grants	(3,603,560)	(3,691,353)
Capital grants and contributions	(422,671)	(476,493)
<b>Total</b>	<b>(13,807,564)</b>	<b>(13,422,556)</b>

## 13. PROPERTY, PLANT AND EQUIPMENT

### Movement on Balances

Movements in 2016/17	Other Land & Buildings £	Vehicles, Plant, Furniture & Equipment £	Infrastructure Assets £	Community Assets £	Surplus Assets £	Assets under Construction £	Total Property, Plant & Equipment £
<b>Cost or Valuation</b>							
At 1 <sup>st</sup> 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
<b>At 31<sup>st</sup> March 2017</b>	<b>26,997,926</b>	<b>7,598,123</b>	<b>498,847</b>	<b>1,611,696</b>	<b>901,288</b>	<b>0</b>	<b>37,607,880</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> 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
<b>At 31<sup>st</sup> March 2017</b>	<b>(602,938)</b>	<b>(5,125,353)</b>	<b>(255,655)</b>	<b>(26,487)</b>	<b>(237,968)</b>	<b>0</b>	<b>(6,248,401)</b>
<b>Net Book Value</b>							
<b>At 31<sup>st</sup> March 2017</b>	<b>26,394,988</b>	<b>2,472,770</b>	<b>243,192</b>	<b>1,585,209</b>	<b>663,320</b>	<b>0</b>	<b>31,359,479</b>
<b>At 31<sup>st</sup> March 2016</b>	<b>20,335,729</b>	<b>2,344,601</b>	<b>278,247</b>	<b>1,561,647</b>	<b>53,340</b>	<b>2,987,835</b>	<b>27,561,399</b>

<b>Movements in 2015/16</b>	<b>Other Land &amp; Buildings £</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £</b>	<b>Infrastructure Assets £</b>	<b>Community Assets £</b>	<b>Surplus Assets £</b>	<b>Assets under Construction £</b>	<b>Total Property, Plant &amp; Equipment £</b>
<b>Cost or Valuation</b>							
At 1 <sup>st</sup> April 2015	20,081,269	8,108,883	490,573	1,695,210	16,000	181,045	30,572,980
Additions	141,778	321,885	8,274	23,359	0	2,807,496	3,302,792
Revaluation increases/(decreases) recognised in the Revaluation Reserve	563,680	0	0	0	37,400	0	601,080
Derecognition – disposals	(6,000)	(1,152,476)	0	(29,076)	0	0	(1,187,552)
Assets reclassified (to)/from Held for Sale	(65,000)	0	0	(103,318)	0	0	(168,318)
<b>At 31<sup>st</sup> March 2016</b>	<b>20,715,727</b>	<b>7,278,292</b>	<b>498,847</b>	<b>1,586,175</b>	<b>53,400</b>	<b>2,988,541</b>	<b>33,120,982</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2015	(90,069)	(5,410,362)	(185,219)	(23,970)	(40)	(706)	(5,710,366)
Depreciation charge	(663,290)	(669,106)	(35,381)	(2,471)	(20)	0	(1,370,268)
Derecognition – disposals	183	1,145,777	0	1,913	0	0	1,147,873
Other movements in depreciation and impairment	373,178	0	0	0	0	0	373,178
<b>At 31<sup>st</sup> March 2016</b>	<b>(379,998)</b>	<b>(4,933,691)</b>	<b>(220,600)</b>	<b>(24,528)</b>	<b>(60)</b>	<b>(706)</b>	<b>(5,559,583)</b>
<b>Net Book Value</b>							
<b>At 31<sup>st</sup> March 2016</b>	<b>20,335,729</b>	<b>2,344,601</b>	<b>278,247</b>	<b>1,561,647</b>	<b>53,340</b>	<b>2,987,835</b>	<b>27,561,399</b>
<b>At 31<sup>st</sup> March 2015</b>	<b>19,991,200</b>	<b>2,698,521</b>	<b>305,354</b>	<b>1,671,240</b>	<b>15,960</b>	<b>180,339</b>	<b>24,862,614</b>

## 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 31<sup>st</sup> March 2017, the Council has entered into a number of contracts for the enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £19,604. Similar commitments at 31<sup>st</sup>

March 2016 were £1,022,932, mainly in respect of the construction of the new depot at Whetstone which is now complete.

### **Effects of Changes in Estimates**

The Council has reviewed its 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 31<sup>st</sup> March 2017 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		2,472,770	243,192	1,585,209		4,301,171
Valued at fair value as at: 31 <sup>st</sup> March 2017	23,577,803				410,000	23,987,803
31 <sup>st</sup> March 2016	2,817,185				253,320	3,070,505
<b>Total</b>	<b>26,394,988</b>	<b>2,472,770</b>	<b>243,192</b>	<b>1,585,209</b>	<b>663,320</b>	<b>31,359,479</b>

## **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.

	2016/17 £	2015/16 £
Rental income from investment property	14,000	14,000
<b>Net gain/(loss)</b>	<b>14,000</b>	<b>14,000</b>

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

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

	2016/17 £	2015/16 £
Balance as at 1 <sup>st</sup> April	175,000	175,000
Net gain/(loss) from fair value adjustments	0	0
<b>Balance as at 31<sup>st</sup> March</b>	<b>175,000</b>	<b>175,000</b>

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	<ul style="list-style-type: none"> <li>• COA Solutions eFinancials (Financial Management System)</li> <li>• Northgate Revenues &amp; Benefits System</li> </ul>
5 years	<ul style="list-style-type: none"> <li>• Customer Relationship Management/Electronic Document and Records Management System (CRM/EDRM)</li> <li>• Xpress Elections Software</li> <li>• Real Asset Management (Asset Register System)</li> <li>• Idox/CAPS Planning System</li> <li>• Microsoft Licensing Upgrade</li> <li>• Idox Waste Management System</li> <li>• Bottomline BACS Submission software</li> </ul>

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £55,618



charged to revenue in 2016/17 was charged to the ICT cost centre (£24,587) and various other cost centres (£31,031) 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:

	2016/17 £	2015/16 £
Balance at 1 <sup>st</sup> April		
• Gross carrying amount	737,354	690,095
• Accumulated amortisation	(601,620)	(557,770)
Net carrying amount at 1 <sup>st</sup> April	135,734	132,325
Additions	21,740	52,377
Disposals	(29,572)	(5,118)
Amortisation for the period	(55,618)	(48,968)
Write back amortisations on disposals	29,572	5,118
<b>Net carrying amount at 31<sup>st</sup> March</b>	<b>101,856</b>	<b>135,734</b>
Comprising:		
• Gross carrying amount	729,523	737,354
• Accumulated amortisation	(627,667)	(601,620)
	101,856	135,734

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		Current	
	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £
<b>Investments</b>				
Loans and receivables	0	1,022,556	16,266,636	14,674,226
<b>Total Investments</b>	<b>0</b>	<b>1,022,556</b>	<b>16,266,636</b>	<b>14,674,226</b>
<b>Debtors</b>				
Loans and receivables	129,752	141,297	0	0
Financial assets carried at contract amounts	0	0	1,462,274	1,562,523

<b>Total Debtors</b>	<b>129,752</b>	<b>141,297</b>	<b>1,462,274</b>	<b>1,562,523</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(2,944,620)	(3,134,697)	(213,357)	(331,382)
<b>Total Borrowings</b>	<b>(2,944,620)</b>	<b>(3,134,697)</b>	<b>(213,357)</b>	<b>(331,382)</b>
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	(456,166)	(456,316)		
<b>Total Other Long Term Liabilities</b>	<b>(456,166)</b>	<b>(456,316)</b>		
<b>Creditors</b>				
Financial liabilities carried at contract amounts	0	0	(2,618,975)	(2,991,866)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(2,618,975)</b>	<b>(2,991,866)</b>

### Income, Expense, Gains and Losses

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

<b>Income, Expense, Gains and Losses in 2015/16</b>	<b>Financial Liabilities measured at amortised cost</b>	<b>Financial Assets loans and receivables</b>	<b>Total</b>
	£	£	£
Interest expense	(319,140)	0	(319,140)
Interest income	0	226,411	226,411
<b>Net gain/(loss) for the year</b>	<b>(319,140)</b>	<b>226,411</b>	<b>(92,729)</b>

### 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:

	31 <sup>st</sup> March 2017		31 <sup>st</sup> March 2016	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
PWLB Debt	3,157,827	3,337,324	3,465,942	3,580,524
Short Term Creditors	2,618,975	2,618,975	2,991,866	2,991,866
Short Term Finance Lease Liability	150	150	137	137
Long Term Finance Lease Liability	456,166	456,166	456,316	456,316
<b>Total Financial Liabilities</b>	<b>6,233,118</b>	<b>6,412,615</b>	<b>6,914,261</b>	<b>7,028,843</b>

The fair value of Public Works Loan Board (PWLB) loans of £3,337,324 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 £3,157,827 would be valued at £3,337,324. 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 £3,519,159.

	31 <sup>st</sup> March 2017		31 <sup>st</sup> March 2016	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
Money Market Loans less than 1 Year	15,244,170	15,248,367	13,657,012	13,657,275
Local Authority Mortgage Scheme				
• Less than 1 Year	1,022,466	1,031,967	1,017,214	1,017,214
• Greater than 1 Year	0	0	1,022,556	1,076,041
Short Term Debtors	1,462,274	1,462,274	1,562,523	1,562,523
Long Term Debtors	129,752	129,752	141,297	141,297
<b>Total Financial Assets</b>	<b>17,858,662</b>	<b>17,872,360</b>	<b>17,400,602</b>	<b>17,454,350</b>

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

	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £
Central government bodies	112,876	324,199
Other local authorities	868,834	1,117,934
NHS Bodies	60,000	74,588
Other entities and individuals	2,228,347	2,481,754
<b>Total</b>	<b>3,270,057</b>	<b>3,998,475</b>

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 31<sup>st</sup> March 2017 is £1,136,703 (£1,272,408 at 31<sup>st</sup> March 2016).

## 19. CASH AND CASH EQUIVALENTS

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

	<b>31<sup>st</sup> March 2017 £</b>	<b>31<sup>st</sup> March 2016 £</b>
Cash held by the Council	414	350
Bank current accounts	470,091	573,297
Deposits in Money Market Funds	600,876	6,703,199
Short-term deposits with banks and building societies	5,252,739	5,309,138
Deposits with other Local Authorities	5,500,975	0
	<b>11,825,095</b>	<b>12,585,984</b>
Less Bank Overdraft	(857,409)	(520,806)
<b>Total Cash and Cash Equivalents</b>	<b>10,967,686</b>	<b>12,065,178</b>

## 20. ASSETS HELD FOR SALE

	Current		Non Current	
	2016/17 £	2015/16 £	2016/17 £	2015/16 £
<b>Balance at 1<sup>st</sup> April</b>	<b>65,005</b>	<b>0</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale				
• Property, Plant & Equipment	0	65,005	0	0
Disposals	(65,003)	0	0	0
Transfer of assets no longer classified as held for sale	0	0	0	0
<b>Balance at 31<sup>st</sup> March</b>	<b>2</b>	<b>65,005</b>	<b>0</b>	<b>0</b>

## 21. CREDITORS

	<b>31<sup>st</sup> March 2017 £</b>	<b>31<sup>st</sup> March 2016 £</b>
Central government bodies	(3,935,844)	(2,042,798)
Other local authorities	(2,264,884)	(1,578,363)
NHS bodies	(1,081,459)	(907,881)
Other entities and individuals	(1,925,718)	(2,383,864)
<b>Total</b>	<b>(9,207,905)</b>	<b>(6,912,906)</b>

## 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, under the scheme, the Council is able to retain a larger share of business rates locally, it also now bears the risks and uncertainties linked to the level of rateable value appeals which may lead to a reduction in business rates payable.

The Council has set up a provision in recognition of anticipated costs which may occur as a result of planning appeals in the sum of £130,000, and also holds other minor provisions totalling £18,000.

	<b>Insurance Claims Provision £</b>	<b>MMI Scheme of Arrangement £</b>	<b>NDR Appeals Provision £</b>	<b>Planning Appeals Provision £</b>	<b>Other Minor Provisions £</b>	<b>Total £</b>
<b>Balance at 1<sup>st</sup> April 2016</b>	<b>(28,180)</b>	<b>(208,289)</b>	<b>(1,941,609)</b>	<b>0</b>	<b>(20,000)</b>	<b>(2,198,078)</b>
Increase in provision in year	0	0	0	(130,000)	(18,000)	(148,000)
Reduction in provision in year	4,678	0	88,935	0	4,448	98,061
Amounts used in year	10,862	25,673	139,428	0	15,552	191,515
<b>Balance as at 31<sup>st</sup> March 2017</b>	<b>(12,640)</b>	<b>(182,616)</b>	<b>(1,713,246)</b>	<b>(130,000)</b>	<b>(18,000)</b>	<b>(2,056,502)</b>

### **23. UNUSABLE RESERVES**

	<b>31<sup>st</sup> March 2017 £</b>	<b>31<sup>st</sup> March 2016 £</b>
Revaluation Reserve	(11,314,409)	(10,132,292)
Capital Adjustment Account	(10,385,946)	(10,651,269)
Pensions Reserve	30,798,000	24,687,000
Collection Fund Adjustment Account	(1,089,187)	445,372
Accumulated Absences Account	71,734	65,238
<b>Total</b>	<b>8,080,192</b>	<b>4,414,049</b>

#### **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment, and Intangible Assets. The balance is reduced when assets with

accumulated gains are:

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

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

	<b>2016/17</b> £	<b>2015/16</b> £
<b>Balance at 1<sup>st</sup> April</b>	<b>(10,132,293)</b>	<b>(9,421,488)</b>
Upward revaluation of assets	(1,536,150)	(974,259)
Impairment Losses	30,417	0
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,505,733)	(974,259)
Difference between fair value depreciation and historical cost depreciation	323,617	298,966
Accumulated gains/(losses) on assets sold or scrapped	0	(35,512)
Amounts written off to the Capital Adjustment Account	323,617	263,454
<b>Balance at 31<sup>st</sup> March</b>	<b>(11,314,409)</b>	<b>(10,132,293)</b>

### **Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with 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 1<sup>st</sup> 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.

	2016/17 £	2015/16 £
<b>Balance at 1<sup>st</sup> April</b>	<b>(10,651,268)</b>	<b>(8,893,563)</b>
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	1,920,176	1,473,581
• Amortisation of intangible assets	55,618	48,968
• Revenue expenditure funded from capital under statute	623,869	572,848
• 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	171,644	75,190
	2,771,307	2,170,587
Adjusting amounts written out of the Revaluation Reserve	(323,617)	(298,966)
Net amount written out of the cost of non-current assets consumed in the year	2,447,690	1,871,621
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	(718,957)	(2,368,690)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(460,847)	(386,876)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(33,912)	(20,051)
• Statutory provision for the financing of capital investment charged against the General Fund balance.	(665,016)	(618,494)
• Capital expenditure charged against the General Fund balance	(315,181)	(242,348)
	(2,193,913)	(3,636,459)
Repayment of private sector housing loan	11,545	7,133
<b>Balance at 31<sup>st</sup> March</b>	<b>(10,385,946)</b>	<b>(10,651,268)</b>

### **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.

	2016/17 £	2015/16 £
<b>Balance at 1<sup>st</sup> April</b>	<b>24,687,000</b>	<b>34,362,000</b>

Re-measurements of the net defined benefit liability	5,005,668	(11,298,138)
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	2,629,000	3,075,000
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,523,668)	(1,451,862)
<b>Balance at 31<sup>st</sup> March</b>	<b>30,798,000</b>	<b>24,687,000</b>

### **Collection Fund Adjustment Account**

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

	2016/17 £	2015/16 £
<b>Balance at 1<sup>st</sup> April</b>	<b>445,372</b>	<b>1,678,385</b>
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	(53,064)	(2,640)
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	(1,481,495)	(1,230,373)
<b>Balance at 31<sup>st</sup> March</b>	<b>(1,089,187)</b>	<b>445,372</b>

### **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 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2016/17 £	2015/16 £
<b>Balance at 1<sup>st</sup> April</b>	<b>65,238</b>	<b>102,296</b>
Settlement or cancellation of accrual made at the end of preceding year	(65,238)	(102,296)
Amounts accrued at the end of the current year	71,734	65,238
<b>Balance at 31<sup>st</sup> March</b>	<b>71,734</b>	<b>65,238</b>

## **24. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	2016/17 £	2015/16 £
Interest received	(166,965)	(247,079)
Interest paid	283,706	321,195

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

	2016/17 £	2015/16 £
Proceeds from the sale of property, plant and equipment	314,433	331,767
Capital grants and contributions received	701,358	813,875



	1,015,791	1,145,642
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## 25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2016/17 £	2015/16 £
Purchase of property, plant and equipment, and intangible assets	5,292,390	2,626,672
Purchase of short term and long term investments	8,900,000	13,100,000
Proceeds from the sale of property, plant and equipment	(159,884)	(272,340)
Proceeds from short term and long term investments	(7,717,215)	(19,500,000)
Other receipts from investing activities	(1,355,669)	(1,592,468)
	<b>4,959,622</b>	<b>(5,638,136)</b>

## 26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2016/17 £	2015/16 £
Cash receipts of short and long term borrowing	0	(1,000,000)
Cash payments for the reduction of finance lease liabilities	137	124
Repayments of short and long term borrowing	306,280	1,430,159
Other payments/receipts for financing activities	(2,624,488)	(1,833,374)
	<b>(2,318,071)</b>	<b>(1,403,091)</b>

## 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 has a contract with Leicestershire County Council to provide grass cutting on the county highway verges.

Building Control - the Council's chargeable building control function has a statutory trading objective to break even over a rolling three-year period.

	2016/17 Expenditure £	2016/17 Income £	2016/17 (Surplus)/Deficit £	2015/16 (Surplus)/Deficit £
Whetstone Industrial Estate	147,795	(319,828)	(172,033)	(132,864)
Highways Grass Cutting	215,726	(154,125)	61,601	21,206
Building Control (Chargeable Functions)	231,323	(299,074)	(67,751)	(97,352)
	<b>594,844</b>	<b>(773,027)</b>	<b>(173,183)</b>	<b>(209,010)</b>

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. The arrangement with North West Leicestershire District Council continued for the 2016/17 financial year. North West Leicestershire District Council have made a contribution towards the salary and travel costs associated with the delivery of the service, as well as transferring £250,000 of capital funding to cover the payment of grants. The table below provides a summary of the expenditure and income for the year.

	<b>2016/17 £</b>	<b>2015/16 £</b>
Balance Brought Forward	(66,247)	0
Income received from North West Leicestershire District Council		
- towards capital expenditure	(250,000)	(200,000)
- towards salaries and on costs	(13,948)	(8,360)
	<b>(263,948)</b>	<b>(208,360)</b>
Capital Grants paid on behalf of North West Leicestershire District Council	279,228	133,753
Transfer to General Fund	13,948	8,360
Balance Carried Forward	<b>(37,019)</b>	<b>(66,247)</b>

The balance carried forward is included within creditors in the Balance Sheet.

## **29. MEMBERS ALLOWANCES**

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

	<b>2016/17 £</b>	<b>2015/16 £</b>
Basic Allowances	190,068	159,564
Special Responsibility Allowances	81,529	74,509
Travel and Other Expenses	1,714	2,484
	<b>273,311</b>	<b>236,557</b>

## **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 2015/16 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.

		<b>Salary, Fees and Allowances £</b>	<b>Expenses Allowances £</b>	<b>Pension Contribution £</b>	<b>Total £</b>
<b>Chief Executive</b>	<b>2016/17</b>	<b>16,833</b>	<b>210</b>	<b>2,890</b>	<b>19,933</b>
	2015/16	100,000	1,307	17,100	118,407
<b>(Interim) Chief Executive</b>	<b>2016/17</b>	<b>91,030</b>	<b>1,267</b>	<b>15,630</b>	<b>107,927</b>
	2015/16	7,324	103	1,252	8,679
<b>Director of Performance &amp;</b>	<b>2016/17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>People</b>	2015/16	71,325	1,174	12,197	84,696
<b>Director of People &amp; Finance</b>	<b>2016/17</b>	<b>73,972</b>	<b>1,239</b>	<b>12,701</b>	<b>87,912</b>
	2015/16	5,998	103	1,026	7,127
<b>Director of Place</b>	<b>2016/17</b>	<b>71,134</b>	<b>817</b>	<b>8,840</b>	<b>80,791</b>
	2015/16	77,809	1,257	13,305	92,371
<b>Corporate Services Manager</b>	<b>2016/17</b>	<b>64,650</b>	<b>1,253</b>	<b>11,100</b>	<b>77,003</b>
	2015/16	64,030	1,264	10,949	76,243
<b>Financial Services Group Manager</b>	<b>2016/17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2015/16	59,153	1,174	10,115	70,442
<b>Regulatory Services Group Manager</b>	<b>2016/17</b>	<b>63,950</b>	<b>1,351</b>	<b>10,980</b>	<b>76,281</b>
	2015/16	63,330	1,342	10,829	75,501
<b>Community Services Group Manager</b>	<b>2016/17</b>	<b>64,650</b>	<b>1,181</b>	<b>11,100</b>	<b>76,931</b>
	2015/16	64,030	1,289	10,949	76,268
<b>Neighbourhood Services Group Manager</b>	<b>2016/17</b>	<b>62,650</b>	<b>1,239</b>	<b>10,757</b>	<b>74,646</b>
	2015/16	62,030	1,239	10,607	73,876
<b>Planning &amp; Economic Development Group Manager</b>	<b>2016/17</b>	<b>55,446</b>	<b>1,239</b>	<b>0</b>	<b>56,685</b>
	2015/16	49,745	1,247	0	50,992
<b>Strategic Manager – People, Performance and Assets</b>	<b>2016/17</b>	<b>55,472</b>	<b>1,246</b>	<b>9,525</b>	<b>66,243</b>
	2015/16	49,555	1,244	8,474	59,273
<b>Programme Manager – Light Bulb</b>	<b>2016/17</b>	<b>52,561</b>	<b>1,284</b>	<b>9,025</b>	<b>62,870</b>
	2015/16	12,161	300	2,080	14,541

At its meeting of 3<sup>rd</sup> November 2015, the Council approved the early retirement of the former Chief Executive effective from 31<sup>st</sup> May 2016. The annualised salary for the position was £101,000.

The Director of Performance and People was appointed to the post of Chief Executive, initially in an interim capacity but this was made permanent in November 2016. The annualised salary for the interim position in 2015/16 was £87,892, and the annualised salary for the post holder's previous position was £77,809.

The Financial Services Group Manager was appointed to the new position of Director of People and Finance as part of the new management structure, with effect from 1<sup>st</sup> March 2016. The annualised salaries for the two positions in 2015/16 were £62,030 and £71,980 respectively.

The Planning and Economic Development Group Manager worked 35 hours per week between 1<sup>st</sup> April 2015 and 31<sup>st</sup> January 2016, and then full time with effect from 1<sup>st</sup> February 2016. The annualised salary for the position in 2015/16 was £52,943.

The Programme Manager – Light Bulb replaced the previous post holder on 4<sup>th</sup> January 2016. The annualised salary for 2015/16 was £49,388.

The number of employees, other than senior staff disclosed separately above, whose remuneration for the year, excluding pension contributions, was £50,000 or more were as follows:

Remuneration Band	Number of Employees	
	2016/17	2015/16
£50,000 - £54,999	0	1

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)	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

payments)								
	2016/17	2015/16 Restated	2016/17	2015/16 Restated	2016/17	2015/16 Restated	2016/17 £	2015/16 Restated £
£0 - £20,000	0	3	3	7	3	10	30,016	85,557
£20,001 – £40,000	0	0	0	1	0	1	0	24,746
Total	0	3	3	8	3	11	30,016	110,303

The prior year comparatives for 2015/16 have been restated to include instances where pay in lieu of notice has made up part of the termination package of employees, whether through redundancy or resignation. The restatement also takes account of two compulsory redundancies to which the Council was committed in March 2016, but which were not finalised until 2016/17. In accordance with the Code, these should be accounted for in 2015/16.

### 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:

	2016/17 £	2015/16 £
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor	47,272	61,626
Fees payable to the external auditors for the certification of grant claims and returns	11,620	27,570
<b>Total</b>	<b>58,892</b>	<b>89,196</b>

Fees payable to the external auditor in 2015/16 include the sum of £14,355 for further work undertaken by the Council's previous external auditors, Price Waterhouse Coopers (PwC), in relation to an objection to the 2013/14 Accounts.

Grant and certification audit fees paid in 2015/16 include £15,490 in respect of the audit and certification of the 2014/15 Housing Benefit Subsidy Claim carried out by PwC.

### 32. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17 £	2015/16 £
<b><u>Credited to Taxation and Non Specific Grant Income</u></b>		
Revenue Support Grant	(952,284)	(1,558,579)
Non Domestic Rates Contribution	(2,384,050)	(2,314,825)
New Homes Bonus Grant	(2,061,822)	(1,439,498)
Section 31 Grants – Business Rates	(578,301)	(572,276)
New Homes Zones Delivery Grant	0	(121,000)
Other Non Ringfenced Government Grants	(11,153)	0
Section 106 Contributions	(422,671)	(476,493)
<b>Total</b>	<b>(6,410,281)</b>	<b>(6,482,671)</b>
<b><u>Credited to Services</u></b>		
Housing Benefit Subsidy	(14,705,282)	(14,652,572)

Transformation Challenge Award Grant – Light Bulb Project	0	(1,000,000)
Other DWP Grants	(80,734)	(32,909)
NNDR Cost of Collection Allowance	(101,202)	(101,936)
Disabled Facilities Grant	(256,068)	(256,068)
Localising Council Tax New Burdens Grant	0	(15,897)
Individual Electoral Registration Grants	(10,876)	(22,168)
Recycling Reward Scheme Grant	0	(65,589)
Government contributions towards the cost of Elections	(92,403)	(54,456)
Section 31 Grant – Capacity Funding for Garden Village Proposal	(75,000)	0
New Burdens Grant – Brownfield Land Registers & Permission in Principle	(14,645)	0
Home Office Grant – Syrian Vulnerable Persons Resettlement Scheme	(16,734)	0
Neighbourhood Planning Grant	(10,000)	0
Other Grants	(42,756)	(33,096)
Leicestershire & Rutland Sport Commissioning Programme	(98,752)	(136,766)
Better Care Fund – Hospital Housing Enabler	(129,200)	0
Leicestershire Partnership NHS Trust – Hospital Housing Enabler	(65,712)	(77,538)
Leicester City Clinical Commissioning Group – Hospital Housing Enabler	(100,400)	0
Children’s Support Contributions	(39,000)	(45,250)
Police & Crime Commissioner Contributions	(39,274)	(46,159)
Supporting Leicestershire Families Programme	(124,404)	(158,942)
Early Years Physical Activity	(11,480)	(39,423)
Council Tax Support Administration & Discretionary Fund	(19,349)	(19,349)
Other Contribution	(205,911)	(240,953)
<b>Total</b>	<b>(16,239,182)</b>	<b>(16,999,071)</b>

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:

	2016/17 £	2015/16 £
<b>Grants Receipts in Advance (Capital Grants)</b>		
Section 106 Contributions	(1,690,133)	(1,047,366)
<b>Total</b>	<b>(1,690,133)</b>	<b>(1,047,366)</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>		
Leicestershire County Council – various contributions to projects	0	(32,618)
Leicestershire NHS Partnership Trust – Housing Support Contribution	0	(40,400)
Other Grants & Contributions	0	(4,554)
<b>Total</b>	<b>0</b>	<b>(77,572)</b>

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 PARTY TRANSACTIONS**

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

#### **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 31<sup>st</sup> March 2017 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 2016/17 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 2016/17.

### **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.

	<b>2016/17</b> £	<b>2015/16</b> £
<b>Opening Capital Financing Requirement</b>	<b>7,294,874</b>	<b>7,003,317</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	4,319,164	3,302,792
Intangible Assets	21,740	52,377
Revenue Expenditure Funded from Capital under Statute	623,869	572,848
<b>Sources of Finance</b>		
Capital receipts applied	(718,957)	(2,368,690)
Government grants and other contributions	(494,759)	(406,928)
Sums set aside from revenue:		
• Direct revenue contributions	(315,181)	(242,348)
• Minimum revenue provision	(665,016)	(618,494)
<b>Closing Capital Financing Requirement</b>	<b>10,065,734</b>	<b>7,294,874</b>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need for borrowing:		
- unsupported by Government financial assistance	2,770,997	295,326
Assets acquired under finance leases	(137)	(3,769)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>2,770,860</b>	<b>291,557</b>

### **35. LEASES**

#### **Authority as Lessee**

**Finance Leases** - the Council has acquired wheeled bins, and buildings at Enderby Road Industrial Estate, Whetstone under finance leases. The latter was subject to a desktop revaluation at 31<sup>st</sup> March 2016 as part of the Council's annual asset revaluation exercise. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	<b>31<sup>st</sup> March</b> <b>2017</b> £	<b>31<sup>st</sup> March</b> <b>2016</b> £
Other Land and Buildings	2,582,233	2,330,480
Vehicles, Plant, Furniture and Equipment	0	0
<b>Total</b>	<b>2,582,233</b>	<b>2,330,480</b>

The Council is committed to making minimum payments under these leases 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:

	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £
Finance lease liabilities (net present value of minimum lease payments)		
• Current	150	137
• Non-current	456,166	456,316
Finance costs payable in future years	2,290,604	2,336,249
<b>Minimum lease payments</b>	<b>2,746,920</b>	<b>2,792,702</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £
Not later than one year	45,782	45,782	150	137
Later than one year and not later than five years	183,128	183,128	767	697
Later than five years	2,518,010	2,563,792	455,399	455,619
	<b>2,746,920</b>	<b>2,792,702</b>	<b>456,316</b>	<b>456,453</b>

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 2016/17 contingent rents amounting to £153,721 were payable by the Council (2015/16 £153,720).

**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 new 99 year lease of land at the Whetstone Amenity Site from Leicestershire County Council for the purposes of building a new depot. The lease commenced on 13<sup>th</sup> November 2015 at an annual rental of £19,500.

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

	31 <sup>st</sup> March 2017 £	31 <sup>st</sup> March 2016 £
Not later than one year	25,500	25,500
Later than one year and not later than five years	89,901	95,901
Later than five years	1,806,074	1,833,000
	<b>1,921,475</b>	<b>1,954,401</b>

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 £25,534 (£12,042 in 2015/16).

### **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 17<sup>th</sup> October 2008. The arrangement is accounted for as an operating lease and the rent received in 2016/17 was £14,000 (2015/16 also £14,000). The gross value of the asset is £175,000 (£175,000 as at 31<sup>st</sup> March 2016). 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 £314,672 in 2016/17 (£295,270 in 2015/16).

The Council entered into a lease with Nottinghamshire Healthcare NHS Trust on 2<sup>nd</sup> June 2015 for the rental of office accommodation at the Council Offices in Narborough. Rent received in 2016/17 was £25,000 (part year rent in 2015/16 was £20,673). Offices are also leased to the Leicestershire Citizens Advice Bureau under an arrangement which commenced on 19<sup>th</sup> January 2015. In 2016/17 the Council received £9,370 under this lease (£13,676 in 2015/16).

Whilst the new depot at Whetstone was under construction, East Midland Homes Housing continued to lease part of the Littlethorpe Depot at an annual rent of £25,052 (2014/15 also £25,052). This arrangement came to an end on 30<sup>th</sup> September 2016 upon closure of the old depot, and rent receivable for the year was £12,526.

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

	<b>31<sup>st</sup> March 2017 £</b>	<b>31<sup>st</sup> March 2016 £</b>
Not later than one year	330,896	320,423
Later than one year and not later than five years	426,195	648,576
Later than five years	0	5,737
	<b>757,091</b>	<b>974,736</b>

### **36. TERMINATION BENEFITS**

The Council terminated the contracts of 3 employees in 2016/17 incurring liabilities of £30,016 (11 contracts terminated at a cost of £110,303 in 2015/16) – see note 30 for the number of exit packages and total cost per band. This number includes one voluntary redundancy package, following a service review, which amounted to £9,534, and two cases where officers tendered their resignation and received pay in lieu of notice. The prior year comparative for 2015/16 has been restated – see note 30 for further details.

### **37. 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:

	Local Government Pension Scheme	
	2016/17 £	2015/16 £
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services		
• Current Service Cost	1,691,000	1,967,000
• Past Service Cost/(Gain)	71,000	0
• (Gain)/Loss from Settlements	0	0
Financing and Investment Income and Expenditure		
• Net Interest Expense	867,000	1,108,000
<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,629,000</b>	<b>3,075,000</b>
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)	(7,443,000)	1,021,000
• Actuarial gains and losses arising on changes in demographic assumptions	(808,000)	0
• Actuarial gains and losses arising on changes in financial assumptions	15,220,000	(11,373,000)
• Other experience gains and losses	(1,963,332)	(946,138)
<b>Total Post Employment Benefits charged to Comprehensive Income and Expenditure Statement</b>	<b>7,634,668</b>	<b>(8,223,138)</b>
<b>Movement in Reserves Statement</b>		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,629,000)	(3,075,000)
Actual amount charged against the General Fund Balance for pensions in the year		
• Employer's contributions payable to the scheme	1,458,281	1,358,082
• Retirement benefits payable to pensioners	65,387	93,780

## 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:

	Local Government Pension Scheme	
	2016/17 £	2015/16 £
Present value of the defined benefit obligation	(81,716,000)	(66,551,000)
Fair value of plan assets	50,918,000	41,864,000
<b>Net liability arising from defined benefit obligation</b>	<b>(30,798,000)</b>	<b>(24,687,000)</b>

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

	Local Government
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	Pension Scheme	
	2016/17 £	2015/16 £
Opening fair value of scheme assets	41,864,000	41,494,000
Interest income	1,467,000	1,329,000
Re-measurement gain/(loss):		
• The return on plan assets, excluding the amount included in net interest expense	7,443,000	(1,021,000)
Contributions from employer	1,547,000	1,430,000
Contributions from employees into the scheme	444,000	443,000
Benefits paid	(1,847,000)	(1,811,000)
<b>Closing fair value of scheme assets</b>	<b>50,918,000</b>	<b>41,864,000</b>

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

	Local Government Pension Scheme	
	2016/17 £	2015/16 £
Opening balance at 1 <sup>st</sup> April	66,551,000	75,856,000
Current service cost	1,691,000	1,967,000
Interest cost	2,334,000	2,437,000
Contributions from scheme participants	444,000	443,000
Re-measurement (gains) and losses:		
• Actuarial (gains)/losses arising from changes in financial assumptions	15,220,000	(11,373,000)
• Actuarial (gains)/losses arising from changes in demographic assumptions	(808,000)	0
• Other	(1,940,000)	(968,000)
Past service cost	71,000	0
Benefits paid	(1,847,000)	(1,811,000)
<b>Closing balance at 31<sup>st</sup> March</b>	<b>81,716,000</b>	<b>66,551,000</b>

### Local Government Pension Scheme assets comprised:

	31 <sup>st</sup> March 2017			31 <sup>st</sup> March 2016		
	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	1,315,000	0	1,315,000	1,144,000	0	1,144,000
Debt securities:						
• UK Government	4,385,000	0	4,385,000	2,211,000	0	2,211,000
• Other	558,000	0	558,000	1,723,000	0	1,723,000
Private equity	0	1,923,000	1,923,000	0	1,607,000	1,607,000
Real estate:						
• UK property	0	4,091,000	4,091,000	0	4,263,000	4,263,000
Investment funds and unit trusts:						
• Equities	24,387,000	0	24,387,000	20,538,000	0	20,538,000
• Bonds	1,774,000	2,792,000	4,566,000	1,313,000	3,192,000	4,505,000
• Hedge funds	1,700,000	10,000	1,710,000	1,856,000	44,000	1,900,000
• Commodities	0	1,200,000	1,200,000	1,000	899,000	900,000

• Infrastructure	0	2,279,000	<b>2,279,000</b>	0	1,093,000	<b>1,093,000</b>
• Other	1,276,000	0	<b>1,276,000</b>	1,158,000	0	<b>1,158,000</b>
Derivatives	(24,000)	0	<b>(24,000)</b>	(15,000)	0	<b>(15,000)</b>
Cash and cash equivalents	3,252,000	0	<b>3,252,000</b>	837,000	0	<b>837,000</b>
	<b>38,623,000</b>	<b>12,295,000</b>	<b>50,918,000</b>	<b>30,766,000</b>	<b>11,098,000</b>	<b>41,864,000</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. 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 31<sup>st</sup> March 2016. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2015/16	2016/17	2015/16
<u>Mortality Assumptions:</u>				
Longevity at 65 for current pension:				
• Men	22.1 years	22.2 years	22.1 years	22.2 years
• Women	24.3 years	24.3 years	24.3 years	24.3 years
Longevity at 65 for future pensioners:				
• Men	23.8 years	24.2 years	23.8 years	24.2 years
• Women	26.2 years	26.6 years	26.2 years	26.6 years
Rates of Inflation	2.4%	2.2%	2.4%	2.2%
Rates of Increase in Salaries	3.4%	3.2%		
Rates of Increase in Pensions	2.4%	2.2%	2.4%	2.2%
Rates for Discounting Scheme Liabilities	2.6%	3.5%	2.6%	3.5%

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%)	1,396,000	(1,396,000)
Rate of increase in pensions (increase or decrease by 0.5%)	6,767,000	(6,767,000)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(8,302,000)	8,302,000

## Pension Fund Risk Management Strategy

The pension fund's primary long term risk is that the fund's assets will fall short of its 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 31<sup>st</sup> 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 £1,601,000 expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 18.5 years, 2016/17 (18.8 years 2015/16).

### **38. CONTINGENT LIABILITIES**

The Council has an agreement with its leisure management contractors, SLM Limited, to share the cost of any gas and electricity usage over and above a base amount specified in the management contract. In March 2017, SLM submitted a claim for backdated costs which they consider that they are entitled to as a result of the formula in the contract being incorrectly applied. The claim is backdated to 2008/09 and is for the sum of £196,959. Neither party has previously had cause to challenge the application of the formula but SLM assert that, due to changes in suppliers during the course of the contract, charges that were previously included within the main usage rate have been separated out and neither claimed nor reimbursed. The Council has undertaken a review of the claim and disputes the argument that these additional charges were intended to be covered by the formula. Legal advice is being sought prior to further discussion with SLM.

### **39. CONTINGENT ASSETS**

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 believes that it may still be entitled to additional compound interest over and above the simple interest already received, although this is uncertain and the value of any such additional interest is unknown. The Court of Appeal has previously ruled in favour of another claimant seeking compound interest from HMRC. However, HMRC have appealed this decision and this appeal will be heard by the Supreme Court in July 2017. The Council will account for any further income in the year in which it is received.

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.

#### **40. 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 18<sup>th</sup> February 2016 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £8,700,000. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £7,830,000. 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 £7,830,000 and £4,350,000 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 Capita 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 31<sup>st</sup> March 2017 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:

	<b>31<sup>st</sup> March 2017</b>	<b>31<sup>st</sup> March 2016</b>
	<b>£</b>	<b>£</b>
Less than three months	926,338	580,257
Three to six months	136,294	666,906
Six months to one year	144,530	242,113
More than one year	872,816	706,578
	<b>2,079,978</b>	<b>2,195,854</b>

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 18<sup>th</sup> February 2016):

	<b>Approved Minimum Limits</b>	<b>Approved Maximum Limits</b>	<b>31<sup>st</sup> March 2017 £</b>	<b>31<sup>st</sup> March 2016 £</b>
Less than one year	0%	100%	190,077	306,280
Between one and two years	0%	100%	194,233	190,077
Between two and five years	0%	100%	608,607	595,554
Between five and ten years	0%	100%	2,141,780	2,349,066
Over ten years	0%	100%	0	0
			<b>3,134,697</b>	<b>3,440,977</b>

## **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 31<sup>st</sup> March 2017, if all interest rates had been 1% higher (with all other variables held constant) interest received on variable rate investments would have been £160,097 greater.

#### **41. PRIOR PERIOD ADJUSTMENT**

The Council has restated the 2015/16 Comprehensive Income and Expenditure Statement following a change in requirements specified in the CIPFA Code of Practice on Local Authority Accounting 2016/17. The net cost of services was previously presented based on the SeRCOP expenditure classification but is now disclosed in the format used for internal reporting purposes, i.e. by Portfolio. The following tables show the comparative movement between the old and new formats.

<b>SeRCOP Expenditure Classification</b>	<b>As reported in the CIES 2015/16</b>	<b>Adjustments between SeRCOP and Internal Reporting format</b>	<b>Restated 2015/16</b>	<b>Portfolio Expenditure Format</b>
	<b>£</b>	<b>£</b>	<b>£</b>	



<b>Gross Expenditure</b>				
Central services to the public	2,581,761	(2,581,761)	0	
		1,282,753	1,282,753	Community Services
		368,347	368,347	Finance, Efficiency & Assets
		443,514	443,514	Leader
		487,147	487,147	Partnerships & Corporate Services
Children's & educational services	363,853	(363,853)	0	
		317,864	317,864	Community Services
		45,989	45,989	Partnerships & Corporate Services
Corporate & democratic core	1,872,631	(1,872,631)	0	
		644,508	644,508	Finance, Efficiency & Assets
		436,052	436,052	Leader
		35	35	Neighbourhood & Environmental Services
		792,036	792,036	Partnerships & Corporate Services
Cultural & related services	2,128,752	(2,128,752)	0	
		410,057	410,057	Finance, Efficiency & Assets
		1,679,952	1,679,952	Health Improvement & Leisure Services
				Neighbourhood & Environmental Services
Environmental & regulatory services	5,125,101	(5,125,101)	0	
		278,265	278,265	Community Services
		33,175	33,175	Finance, Efficiency & Assets
				Neighbourhood & Environmental Services
		4,813,661	4,813,661	Services
Highways & transport services	239,910	(239,910)	0	
		21,472	21,472	Finance, Efficiency & Assets
				Neighbourhood & Environmental Services
		218,438	218,438	Leader
Non distributed costs	1,242	0	1,242	
Other housing services	16,984,109	(16,984,109)	0	
		16,883,151	16,883,151	Community Services
		77,584	77,584	Finance, Efficiency & Assets
				Planning, Economic Development & Housing Strategy
Planning & development services	2,376,712	(2,376,712)	0	
		109,123	109,123	Community Services
		61,910	61,910	Health Improvement & Leisure Services
				Neighbourhood & Environmental Services
		77,436	77,436	Services
		110,294	110,294	Partnerships & Corporate Services
				Planning, Economic Development & Housing Strategy
Public health	553,261	2,017,949	2,017,949	
		(553,261)	0	
		208,154	208,154	Community Services
		345,107	345,107	Health Improvement & Leisure Services
	<b>32,227,332</b>	<b>0</b>	<b>32,227,332</b>	

<b>SeRCOP Expenditure Classification</b>	<b>As reported in the CIES 2015/16</b>	<b>Adjustments between SeRCOP and Internal Reporting format</b>	<b>Restated 2015/16</b>	<b>Portfolio Expenditure Format</b>
	<b>£</b>	<b>£</b>	<b>£</b>	
<b>Gross Income</b>				
Central services to the public	(776,639)	776,639	0	
		(361,659)	(361,659)	Community Services
		(100,302)	(100,302)	Leader
		(314,678)	(314,678)	Partnerships & Corporate Services
Children's & educational services	(227,823)	227,823	0	
		(204,192)	(204,192)	Community Services
		(23,631)	(23,631)	Partnerships & Corporate Services

Corporate & democratic core	(124,005)	124,005	0	
		(83,767)	(83,767)	Finance, Efficiency & Assets
		(3,600)	(3,600)	Leader
		(36,638)	(36,638)	Partnerships & Corporate Services
Cultural & related services	(693,283)	693,283	0	
		(12,805)	(12,805)	Finance, Efficiency & Assets
		(641,735)	(641,735)	Health Improvement & Leisure Services
		(38,743)	(38,743)	Neighbourhood & Environmental Services
Environmental & regulatory services	(1,888,557)	1,888,557	0	
		(51,659)	(51,659)	Community Services
		(1)	(1)	Finance, Efficiency & Assets
		(1,836,897)	(1,836,897)	Neighbourhood & Environmental Services
Highways & transport services	(149,808)	149,808	0	
		(149,808)	(149,808)	Neighbourhood & Environmental Services
Other housing services	(16,775,254)	16,775,254	0	
		(16,762,166)	(16,762,166)	Community Services
		(13,088)	(13,088)	Finance, Efficiency & Assets
Planning & development services	(765,613)	765,613	0	
		(8,593)	(8,593)	Community Services
		(385)	(385)	Health Improvement & Leisure Services
		(756,635)	(756,635)	Planning, Economic Development & Housing Strategy
Public health	(295,055)	295,055	0	
		(96,538)	(96,538)	Community Services
		(198,517)	(198,517)	Health Improvement & Leisure Services
	<b>(21,696,037)</b>	<b>0</b>	<b>(21,696,037)</b>	

SeRCOP Expenditure Classification	As reported in the CIES 2015/16	Adjustments between SeRCOP and Internal Reporting format	Restated 2015/16	Portfolio Expenditure Format
	£	£	£	
<b>Net Expenditure</b>				
Central services to the public	1,805,122	(1,805,122)	0	
		921,094	921,094	Community Services
		368,347	368,347	Finance, Efficiency & Assets
		343,212	343,212	Leader
		172,469	172,469	Partnerships & Corporate Services
Children's & educational services	136,030	(136,030)	0	
		113,672	113,672	Community Services
		22,358	22,358	Partnerships & Corporate Services

Corporate & democratic core	1,748,626	(1,748,626)	0	
		560,741	560,741	Finance, Efficiency & Assets
		432,452	432,452	Leader
		35	35	Neighbourhood & Environmental
		755,398	755,398	Services
Cultural & related services	1,435,469	(1,435,469)	0	Partnerships & Corporate Services
		397,252	397,252	Finance, Efficiency & Assets
		1,038,217	1,038,217	Health Improvement & Leisure Services
Environmental & regulatory services	3,236,544	(3,236,544)	0	
		226,606	226,606	Community Services
		33,174	33,174	Finance, Efficiency & Assets
		2,976,764	2,976,764	Neighbourhood & Environmental
Highways & transport services	90,102	(90,102)	0	Services
		21,472	21,472	Finance, Efficiency & Assets
		68,630	68,630	Neighbourhood & Environmental
Non distributed costs	1,242	0	1,242	Services
Other housing services	208,855	(208,855)	0	Leader
		120,985	120,985	Community Services
		64,496	64,496	Finance, Efficiency & Assets
		23,374	23,374	Planning, Economic Development &
Planning & development services	1,611,099	(1,611,099)	0	Housing Strategy
		100,530	100,530	Community Services
		61,525	61,525	Health Improvement & Leisure Services
		77,436	77,436	Neighbourhood & Environmental
		110,294	110,294	Services
		1,261,314	1,261,314	Partnerships & Corporate Services
		146,590	146,590	Planning, Economic Development &
Public health	258,206	(258,206)	0	Housing Strategy
		111,616	111,616	Community Services
		146,590	146,590	Health Improvement & Leisure Services
	<b>10,531,295</b>	<b>0</b>	<b>10,531,295</b>	

## BLABY DISTRICT COUNCIL

### THE COLLECTION FUND STATEMENT

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	2016/17	2015/16
		£	£
<b>INCOME</b>			

Council tax	2	(51,225,801)	(48,167,420)
Non-domestic rates	3	(43,597,965)	(43,338,095)
Transitional protection payments – non-domestic rates		0	0
Contributions towards previous year's estimated Collection Fund deficit: - Non-domestic rates		(2,981,967)	(3,107,021)
<b>Total Income</b>		<b>(97,805,733)</b>	<b>(94,612,536)</b>
<b>EXPENDITURE</b>			
Precepts and demands from major preceptors and the authority – council tax	4	50,665,515	47,936,481
Shares of non-domestic rating income to major preceptors and the authority		21,415,559	21,350,781
Payment of the central share of non-domestic rating income to be paid to central government by the billing authority		21,415,559	21,350,781
Transitional protection payments – non-domestic rates		28,906	81,197
Impairment of debts/appeals for council tax: - write-offs and uncollectable amounts - allowance for impairment		94,099 51,481	89,170 38,494
Impairment of debts/appeals for non-domestic rates: - write-offs and uncollectable amounts - allowance for impairment - allowance for appeals		975,896 (490,020) (570,908)	221,348 467,375 (204,236)
Charge to General Fund for allowable collection costs for non-domestic rates		101,202	101,936
Contributions towards previous year's estimated Collection Fund surplus: - Council tax		48,512	85,514
<b>Total Expenditure</b>		<b>93,735,801</b>	<b>91,518,841</b>
<b>Movement on Collection Fund Balance – (surplus)/deficit for the year</b>		<b>(4,069,932)</b>	<b>(3,093,695)</b>
<b>Opening Collection Fund Balance:</b> - Council tax - Non-domestic rates	5	(32,706) 1,125,229	(14,944) 4,201,162
		<b>1,092,523</b>	<b>4,186,218</b>
<b>Closing Collection Fund Balance:</b> - Council tax - Non-domestic rates	5	(398,900) (2,578,509)	(32,706) 1,125,229
		<b>(2,977,409)</b>	<b>1,092,523</b>
<b>Analysis of Movement on Collection Fund Balance:</b> - Council tax - Non-domestic rates	5	(366,194) (3,703,738)	(17,762) (3,075,933)
		<b>(4,069,932)</b>	<b>(3,093,695)</b>

## BLABY DISTRICT COUNCIL 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.

A new 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 volatility 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 2016/17 is set out in the table below:

	A*	A	B	C	D	E	F	G	H	TOTAL
Properties	0.00	4,665.00	14,619.00	9,416.00	6,338.00	3,922.00	1,355.00	504.00	35.00	40,854.00
Exemptions	0.00	(135.98)	(161.44)	(107.23)	(51.63)	(23.98)	(7.82)	(6.17)	(0.08)	(494.33)
Disabled Relief	25.00	69.00	1.00	(32.00)	(22.00)	(19.00)	(14.00)	(2.00)	(6.00)	0.00
Discounts	(2.31)	(647.88)	(1,232.09)	(484.77)	(70.65)	(89.10)	(44.44)	(17.67)	(0.71)	(2,589.62)
Council Tax Support	0.00	(1,048.57)	(1,218.54)	(504.11)	(194.62)	(70.93)	(14.77)	(3.67)	0.00	(3,055.21)
<b>Effective Properties</b>	<b>22.69</b>	<b>2,901.57</b>	<b>12,007.93</b>	<b>8,287.89</b>	<b>5,999.10</b>	<b>3,718.99</b>	<b>1,273.97</b>	<b>474.49</b>	<b>28.21</b>	<b>34,714.84</b>
Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
<b>Band D Equivalents</b>	<b>12.61</b>	<b>1,934.38</b>	<b>9,339.50</b>	<b>7,367.01</b>	<b>5,999.10</b>	<b>4,545.43</b>	<b>1,840.18</b>	<b>790.82</b>	<b>56.42</b>	<b>31,885.45</b>
* Band A with Disabled Relief	Expected In-Year Collection Rate									99.00%
	<b>Tax Base</b>									<b>31,566.60</b>

Income received from Council Tax payers in 2016/17 was £51,225,801 (£48,167,420 in 2015/16).

## 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 2016/17 compared with the previous financial year.

		2016/17 £	2015/16 £
Total Non-Domestic Rateable Value at 31 <sup>st</sup> March		97,015,106	94,213,626
National Non-Domestic Multipliers for Year:	Standard Rate	0.4970	0.4930
	Small Business Rate	0.4840	0.4800

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

	2016/17 £	2015/16 £
Central Government	21,415,559	21,350,781
Blaby District Council	17,132,447	17,080,625
Leicestershire County Council	3,854,801	3,843,140
Leicester, Leicestershire and Rutland Combined Fire Authority	428,311	427,016
	<b>42,831,118</b>	<b>42,701,562</b>

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 £14,114,397 from its share of Business Rates in 2016/17 (£13,999,409 in 2015/16).

Total income received from Business Rates payers in 2016/17 was £43,597,965 (£43,338,095 in 2015/16).

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 2016/17 was £893,712 (£752,276 in 2015/16).

#### **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.

	2016/17 £	2015/16 £
Leicestershire County Council	35,588,268	33,567,451
Leicestershire Police Authority	5,794,902	5,572,996
Leicester, Leicestershire and Rutland Combined Fire Authority	1,945,134	1,871,063
Blaby District Council (including Parish Councils)	7,337,211	6,924,971
	<b>50,665,515</b>	<b>47,936,481</b>

#### **NOTE 5 – COLLECTION FUND (SURPLUS)/DEFICIT**

The Council Tax Collection Fund surplus as at 31<sup>st</sup> March 2017 is £398,900 (£32,706 as at 31<sup>st</sup> March 2016). The Council Tax surplus is apportioned between the Council and the three major precepting authorities as shown in the table below.

	31/03/2017 £	31/03/2016 £
Leicestershire County Council	(280,082)	(22,868)
Leicestershire Police Authority	(45,696)	(3,832)
Leicester, Leicestershire and Rutland Combined Fire Authority	(15,339)	(1,287)
Blaby District Council	(57,783)	(4,719)

	<b>(398,900)</b>	<b>(32,706)</b>
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The surplus in respect of non domestic rating income is £2,578,509 as at 31<sup>st</sup> March 2017 (£1,125,229 deficit as at 31<sup>st</sup> March 2016). The surplus is apportioned between the Council, central government, and major precepting authorities as follows:

	<b>31/03/2017</b>	<b>31/03/2016</b>
	<b>£</b>	<b>£</b>
Central Government	(1,289,254)	562,614
Leicestershire County Council	(232,066)	101,271
Leicester, Leicestershire and Rutland Combined Fire Authority	(25,785)	11,252
Blaby District Council	(1,031,404)	450,092
	<b>(2,578,509)</b>	<b>1,125,229</b>

## **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.

### **AVAILABLE FOR SALE ASSETS**

These are financial assets that have a quoted market price and/or do not have fixed or determinable payments.

### **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 GRANT UNAPPLIED RESERVE**

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.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same activities. There is therefore no logical basis for apportioning these costs to services.

## **CURRENT SERVICE 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 PENSIONS ASSETS**

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

### **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 ASSETS**

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**

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 LEASES**

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 on the Council's financial statements**

We have audited the financial statements of Blaby District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 41,
- the Statement of Accounting policies on pages 32 to 43,
- the Expenditure and Funding Analysis on page 46, and
- Collection Fund and 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 2016/17.

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.

### **Respective responsibilities of the Director of People and Finance and auditor**

As explained more fully in the Statement of Responsibility for the Statement of Accounts set out on page 26, Director of People and Finance 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of People and Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Blaby District Council as at 31 March 2017 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 2016/17.

## **Opinion on other matters**

In our opinion, the information given in the Annual Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **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

## **Conclusion on Blaby District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

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**

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.

### **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 2016, 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 2017.

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.

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, 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 2017.



## 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.

A handwritten signature in black ink that reads "S R Clark". The letters are cursive and connected.

Stephen Clark (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Birmingham  
26 September 2017

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.