DISTRICT OF HARBOROUGH

STATEMENT OF ACCOUNTS 2017/18

CONTENTS

APPROVAL OF THE ACCOUNTS

This Statement of Accounts was approved and adopted by Harborough District Council's Governance and Audit Committee at its meeting on 25 July 2018.

Councillor
Chairman, Governance and Audit Committee
25 July 2018

NARRATIVE REPORT

Introduction by Portfolio Holder for Finance and Assets

I welcome the opportunity to comment on the Statement of Accounts which sets down another successfully year of delivering our priorities within available resources. The Accounts also demonstrate that the Council has been able to invest in priorities (especially in the area of capital investment) whilst maintaining healthy levels of reserves to support delivering the Council's ambitions over the next decade.

The Council has been able to continue to deliver the everyday services people value, attract inward investment and support the vulnerable. Our Performance remains strong and in 2017/18 we were the only District Council in the country to be a finalist in the Local Government Chronicle Efficiency Awards.

We continually review our services to identify opportunities for improvement, engagement with residents and businesses and for further efficiencies. This is delivered through applying robust financial discipline and rigour to our finances and how we manage and communicate them. Budgets are continually monitored and reported every quarter allowing for budget variances to be quickly addressed and opportunities identified. Robust business cases are developed for capital schemes and major change programmes.

The District Council aspires to improved financial sustainability in the future with less reliance on Central Government Grants. The accounts demonstrate success in generating both revenue funding and capital receipts in fulfilment of this goal. The main financial risk to the Council continues to be the volatility of Business Rate appeals and the uncertainty attached to this funding source, especially from 2020 onwards. Prudently, the Council had made provisions in this area in previous years which has allowed the Council to manage a significant increase in business rate appeals without impacting on the underlying financial plans of the Council.

The Council's finance team have produced these consolidated and complex set of accounts a month earlier than previously to meet new accounting regulations, "The Accounts and Audit Regulations 2015". I wish to thank our professional finance team for this and for promoting value for money and financial integrity in all that we do.

Cllr James Hallam
Portfolio Holder for Finance and Assets

Introduction by the Chief Finance Officer, Simon Riley

Welcome to the Council's Statement of Accounts for the year ended 31st March 2018 which details the financial position of the Council. The Narrative Report outlines the main issues impacting on the Council in 2017/18 and also provides a summary of the financial position at 31st March 2018

The Council's accounts are required to be produced by the 31st May 2018 and to be audited by the 31st July 2018. The Accounts and Audit Regulations 2015 now require a common 30 working day public inspection period that must include the first 10 days of June. The External Auditor, KPMG LLP are scheduled to commence the audit of accounts on 18th June 2018.

The statement of accounts has been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code). It aims to provide relevant information to ensure that the financial position of the Council is presented as a true and fair view and to assure the reader of the accounts that the financial position of the Council is sound and secure. The requirements of the Code require significant disclosure notes with the consequence that the accounts are lengthily and complex. The Narrative report seeks to highlight the key issues in 2017/18 for the reader who can then seek more detailed explanations in the key financial statements and disclosure notes

The narrative report aims to provide context to the accounts in respect of the 2017/18 financial outturn, the overall financial position of the Council and to place the Council's finances in the context of its Corporate Plan, priorities and achievements. The Council has through continued strong financial management contained spend within budget and retains a strong Balance Sheet to meet future challenges.

If you have further queries on the 2017/18 Accounts please contact the Council's Finance Team at HDCfinance@harborough.gov.uk

These Accounts have been prepared ready for Audit one month earlier than last year. This is a significant achievement and alongside the Portfolio Holder I wish to thank our professional finance team for responding proactively to this challenge.

Simon Riley

Head of Finance and Corporate Services (S151 Officer)

District Context

Harborough District spans an area of 59,178 hectares (228 square miles). The District shares boundaries with Melton, Rutland, Corby, Kettering, Daventry, Rugby, Blaby, Oadby & Wigston, Leicester and Charnwood Districts. The main urban centres are Market Harborough and Lutterworth.

There are a number of main ‘A’ roads that link the main urban settlements within and outside the District. The A4303/A4304 serves between Harborough and Lutterworth. The A6 links Market Harborough directly to Leicester and the A14 links to Kettering and the South. The main urban areas of the District are close to the intersection of the M1, M6 and A14. The District has major logistics hubs to the west of the District at Magna Park which due to its proximity to the major road network and the fact that 95% of all places in England are within four hours travelling distance of the District make it an ideal location for inward investment.

Harborough’s rural nature, and its proximity to London by rail, makes it an increasingly attractive place for commuters to live. It is likely that alongside this, an increasing number of businesses setting up in Harborough have either links to, or clients in London.

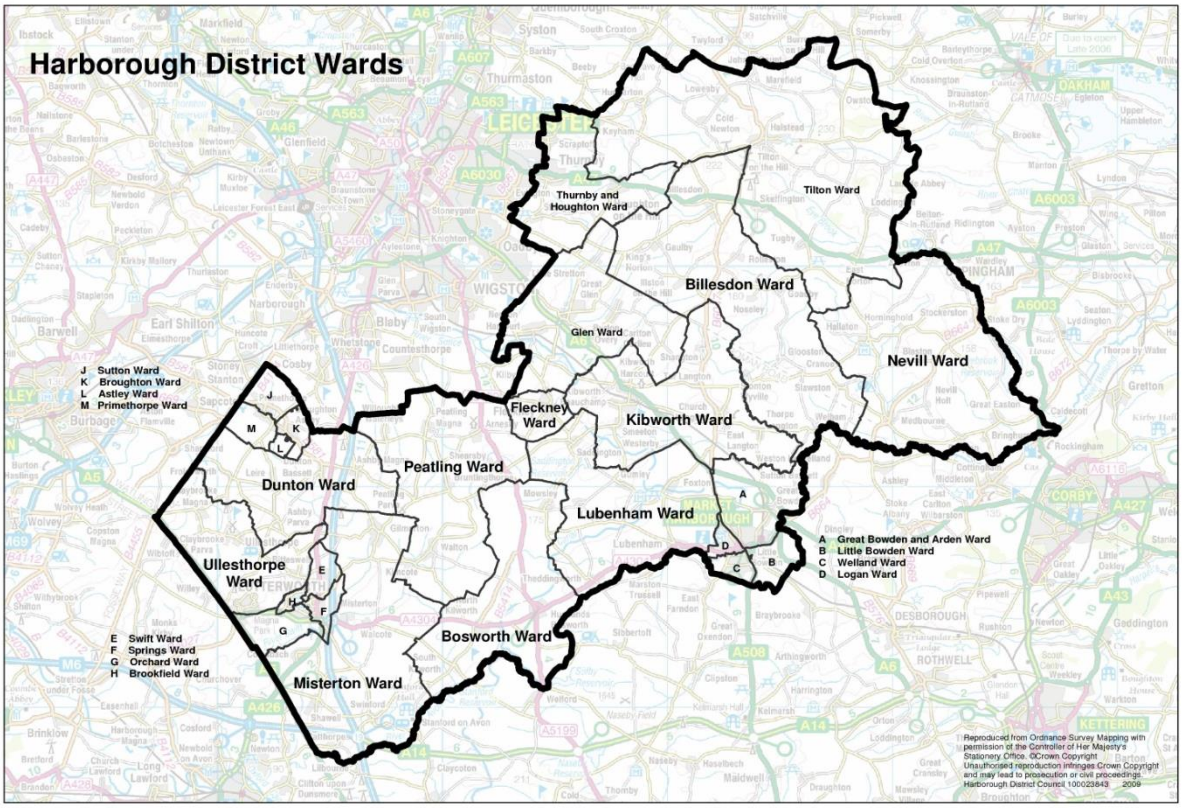
The current population of the District is estimated to be 90,400. The District is expecting a significant increase in the population by 2033 and has a buoyant demand for supply of housing estates. A particular challenge is the increase in the Elderly population. The Council works in partnership with others through the Better Care Fund to plan for services to meet the needs of older people.

There are approximately 5,100 active businesses within Harborough District. Businesses in Harborough District are predominantly small, 74% of rural and urban businesses employ 0-4 people. Only 6% of local businesses employ 20+ people. The major employers are at Magna Park near Lutterworth.

Levels of people claiming job seekers allowance and housing benefit are lower than the National and Leicestershire averages.

Political Structure

The Council operates a Strong Leader Executive Model. The Council is comprised of 37 Members in a mixture of single and multi-member wards. During 2017/18 an Electoral Review was undertaken by the Boundary Commission. The Council accepted its conclusion that there should be a reduction from 37 Members to 34 Members at the next District election in 2019.



Following the District Elections in May 2015 the political composition of the Council changed. The political make-up of the Council is:

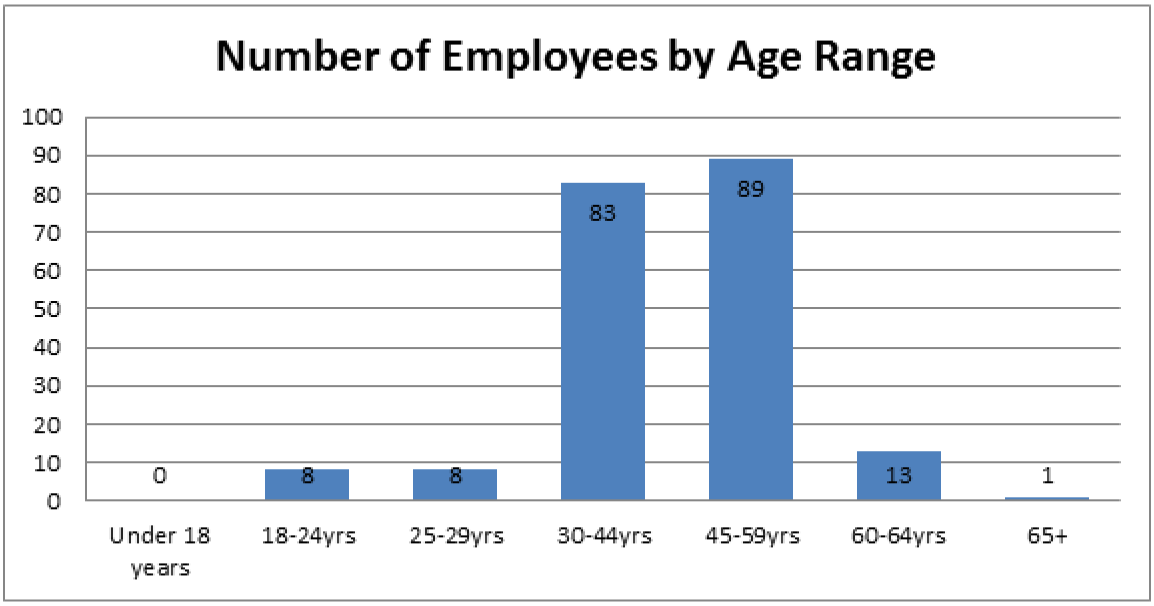
Political Party	Number of Councillors
Conservative	29
Liberal Democrats	8
Total	37

The leader of the Council is Councillor Neil Bannister. The portfolio holder for Finance and Commercialisation is Councillor James Hallam. Both Members held these responsibilities from October 2017, but were part of the previous Executive. There were some changes in Portfolios in October with the Expenditure Funding Analysis (EFA) being presented in accordance with the portfolios operable since October 2017

Harborough District is represented by three MPs, Mr Neil O’Brian, Rt Hon Sir Alan Duncan and Mr Alberto Costa

Council Workforce and Management Structure

The Council had 202 employees at 31 March 2018 who are primarily based at The Symington Building, Market Harborough, but also in the Leicestershire Revenue and Benefits Partnership based in Hinckley. The Council also provide parking enforcement services and legal services to other Councils, these are detailed in Note 40 of the accounts.



Of the total number of employees, 32.1% are male and 67% are female

A key challenge for the Council due to its profile of staff is succession planning to meet the needs of the Council in the future. During the year 5 apprenticeships have commenced, primarily with younger people and the Council continues to invest in management and leadership through its Team Leader programme. A refreshed workforce strategy will be agreed in 2018/19.

The Council has delivered services in 2017/18 through a mixture of permanent staff and agency staff to meet service demands and/or recruitment difficulties. The Council invested in additional resources in Strategic Planning, Building Control and Development Management especially around the development of the Local Plan.

The Council is managed by the Corporate Management Team comprising of two Corporate Directors and four Heads of Service.

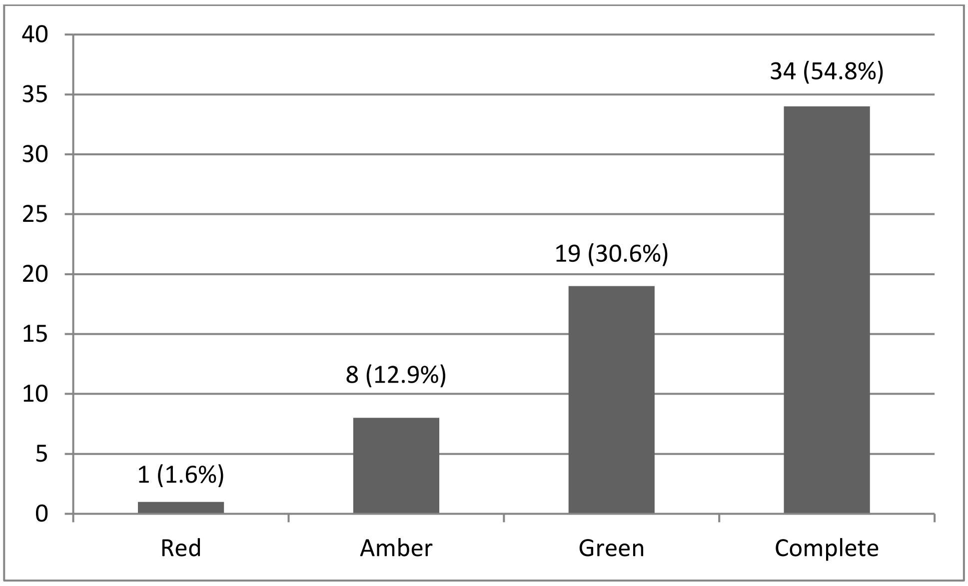
Effectiveness of Control and Governance Framework

The Council has produced its Annual Governance Statement alongside the Statement of Accounts. This demonstrates the internal control and Governance frameworks operable during 2017/18.
Overall the Council's self assessment and annual Head of Internal Audit report evidence through audit, testing and assurance frameworks that the Council's operated as intended in 2017/18 in order to deliver the Council's priorities. No incidences of fraud were reported or identified in year.
The Council's fraud capacity is now enhanced though being part of a fraud intelligence hub led by Leicester City Council. A key focus of the Council going forward is the effectiveness of the Council's ICT arrangements and protection from Cyber Crime.

Performance of the Council

The Council has continued to deliver its stated priorities within budget and on time. 62 Key Activities were set for 2017/18 with over half complete, more than a quarter on target with less than an eighth amber or red.

Figure 1 Status of Key Activities, End of Quarter 4 of the 2017/18 year



Link to Quarter 4 performance reports:
https://cmis.harborough.gov.uk/cmis5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/5325/Committee/807/Default.aspx
Key Achievements in 2017/18 against the Council priorities were:

Against the Priority of Working with Communities we have…

- Worked in partnership to address crime and anti-social behaviour and support vulnerable victims with 92% finding it easy to report concerns.
- Engaged with the community over an eight week public consultation period on the new Local Plan and had over 400 responses and three public workshops.
- Allocated over £200, 000 in funds for community projects continuing many years of significant investment in our communities.
- Reduced carbon emissions from Council services.
- Tackled fly-tipping through publicity campaigns and enforcement with significant increase in notifications and inspections since the "#Tip Off" campaign commenced.
- Undertaken a District-wide survey of residents to inform the Council's priorities with over 900 completed responses.
- Received 2,200 responses to a consultation regarding the future Leisure provision for the District.
- Settled one Syrian family in the District in support of the Government's Syrian Vulnerable Persons Resettlement Scheme.
- Helped over 1,400 vulnerable people stay in their own homes safely through provision of the 24-hour, 365-day Harborough Lifeline service.
- Provided housing advice to 216 households, preventing homelessness in 30 instances.
- Provided core grants to Voluntary Organisations.

Against the Priority of being an efficient Council we have...

- Expanded and widened our range of online services to enable customers to self-serve including the use of online forms for Council Tax payments.
- Promoted a commercial approach throughout the Council to improve financial sustainability, specifically the Control Centre, Trade Waste and Building Control.
- Developed our governance arrangements for a Combined Authority to enable efficient decision-making on transport and planning matters if introduced.
- Undertaken a Boundary Review resulting in revised warding arrangements with the Council reducing its Councillors from 37 to 34 from 2019.
- Implemented a revised Car Parking Strategy to secure the vibrancy of town centres. This has incorporated a new fee structure and parking order that has increased revenue and improved enforcement outcomes.
- Adopted a new Economic Development Strategy to promote economic growth.
- Continued to manage the Council's assets in a way that delivers value for money for the District.
- Developed houses for sale at St Cuthbert's Avenue, Great Glen and Paget Road, Lubenham.

Against the priority of developing a vibrant business economy we have...

- Engaged with businesses to promote growth and worked with larger businesses in the District to attract inward investment.
- Supported 463 businesses through the 'Pioneer 10' support programme contract.
- Worked with partners to continue to support and promote thriving town centres.
- Promoted the visitor economy through inward tourism and community events such as Harborough by the Sea and Harborough in Bloom.
- Successfully generated economic growth and diversification in rural areas through the European LEADER programme. Secured £3.25m European funding from the LLEP to provide grow-on space for small and medium enterprises in Harborough District.
- Promoted the importance of Business Continuity Plans within local businesses.
- Supported community groups to enable events to be effectively managed and coordinated through the introduction of an events toolkit and workshops for voluntary groups.
- Continued to provide funding for Harborough District businesses to take on apprentices.
- Developed the Spirit of Harborough drinks festival.

National Awards

The Council was also successful in 2017/18 in being shortlisted for the LGC Efficiency Award – the only District Council in this category. We were not the winner within the Efficiency Strategy but shared a prize with other Leicestershire Districts for the ground-breaking Lightbulb Project

Performance Highlights

Housing and Economic Growth

- 96.6% occupancy of Harborough Innovation Centre
- 94.7% of Major Planning Applications determined within national targets

Efficient Council

- 99.6% Of Business Rates Collected
- 98.6% of Council Tax Collected

Supporting Communities and Residents

- 40 Grants to Communities totalling £411K
- New Benefit Claims processed on 16.8 days

Key Facts

Housing and Economic Growth

- 91 New Businesses registered for Business Rates
- 580 New Homes Built across the District

Efficient Council

- 1.4 million bins emtied each year
- Reducion in Sundry Debt outstanding of £545K at the end of year.

Supporting Communities and Residents

- Low Avoidable Contact though Contact Centre 3.6%
- No repeat homelessness applications during year

Risk and Opportunity Management

The Council actively managed its risks during 2017/18 including the effectiveness of controls and other mitigation actions. No risks are identified as Red (High Risks) in 2017/18 and two Corporate Risks were closed during 2017/18.

During 2017/18 the Council sought external support in identifying opportunities for Alternative Service Delivery Models including the potential for a Housing Development Company. It is likely that during 2018/19 these will be progressed alongside looking for opportunities for commercial property investments and use of Property Funds. These will be assessed against criteria within an Asset and Investment Strategy to be approved in 2018/19.

Revenue Budget

During 2017/18 the Council continued to deliver its priorities and desired outcomes within the approved budget.

The majority of spend is contained within Portfolio Budgets for the day to day operations of the Council. The Portfolios are those which were in place from October 2018. Each portfolio has a lead Executive Member, The Total Net Expenditure by Portfolio is

2017/18 Revenue Budget	Revised Budget	Outturn	Variance
	£000's	£000's	£000's
Portfolios			
Corporate Governance	4,248	3,977	(271)
Community Safety	254	259	5
Strategy and Communication	231	205	(26)
Finance and Assets	1,112	1,042	(70)
Planning, Regeneration, Housing & Economic Development	1,680	1,477	(203)
Environment & Regulation	3,282	3,172	(110)
Wellbeing & Localities	385	432	47
Contingency	396	0	(396)
Vat Shelter	(15)	(23)	(8)
Total Net Expenditure on Services	**11,573**	**10,541**	**(1,032)**

The overall surplus of £1.032 million on net cost of services represents 8.9% of the approved budget. Nearly half of the underspend/surplus derives from not utilising the corporate contingency (396K) and the writing back into the Revenue Account a previous provision for potential land charges litigation (£92K). Extracting these the surplus represents 5.2% of the approved budget. Budget variances are reported quarterly to Executive with the final outturn due to be considered by the Council's Executive on 16th July 2018 [*insert hyperlink when published*]

The Council monitors its budget on the basis of New Direct Expenditure (per the table above) whilst the Accounts incorporate charges for Capital Charges and Pension Costs and other adjustments. The movements between Total Net Expenditure on Services and the Net Costs of Services in the accounts are detailed below:

	£000s
Total Net Expenditure on Services (Management Accounts)	**10,541**
Capital Charges	1,618
Pension Costs	635
Other Movements	(85)
Net Cost of Services (Statutory Accounts)	**12,709**

The Council continued the practice adopted in previous years of using internal investments to negate the requirement for more expensive borrowing. Indeed the Council has not borrowed since 2008 despite an increase in the Council's Capital Financing Requirement (CFR) linked to significant Capital Investment by the Council in recent years. The Council budgeted for total debt charges linked to the CFR. Through delaying borrowing the Council generated £321K of debt charge savings in 2017/18.

The Council continued to use earmarked reserves to support the Council priorities. Overall there has been a drawdown of earmarked reserves of £426K. Movements in reserves are detailed in Note 7 of the accounts. Whilst total reserves remain high and consistent with the Medium Term Financial Strategy the Council had for the first time since 2013 had to make a net draw down from Business Rate Growth Reserve due to the need to significantly increase the provision for business rate appeals. The reduction in the retained business rate growth levy from the budgeted £991K to £721K is reflected in the accounts. However, this is then transferred into an earmarked reserve per previous years. A contribution was made from the General Fund Balance in respect of carry-forwards from previous years.

Through combining the Net Expenditure on Services and the above the net surplus (before disposal of capital interests) is £584K. This is an increase of £302K from the quarter 3 forecast reported to Executive on 12th March 2018.

There are also a series of technical accounting adjustments (especially in relation to disposal of Capital Interests, Capital Accounting adjustments and Pension Adjustments and Collection Fund adjustments) that are made in the accounts as year end accounting entries. These are detailed within the key financial statements within the accounts.

Overall, the financial performance of the Council remains strong with a healthy and stable balance sheet. There remains significant uncertainty nationally over future funding streams (detailed later in the narrative report) for which the Council's overall financial position will allow a planned response when national funding levels are announced.

Capital Investment

The Council continues to make significant investment within the District as part of a £10.4 million Capital Programme approved in February 2017. During the year the Council has invested in a range of priorities including:

Affordable Housing

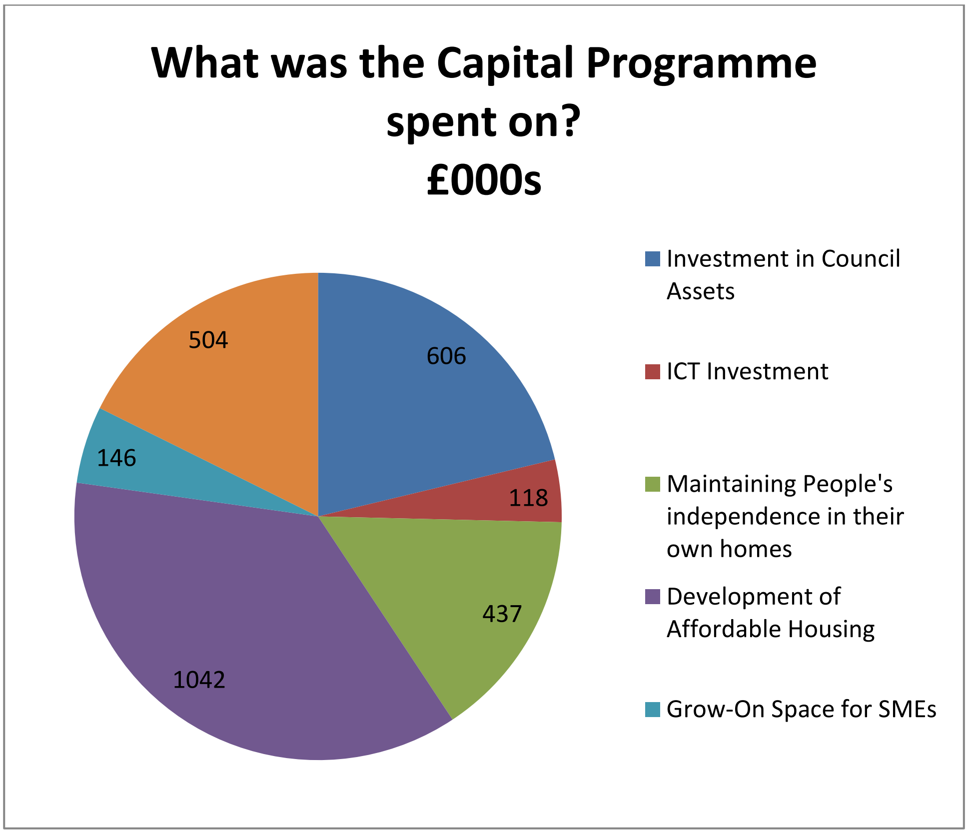
The Council has acted as a Housing Developer to bring disused garage sites back into use for affordable housing. During the year 4 houses were built in Great Glen with a further 3 houses being constructed in Lubenham.

Supporting Vulnerable People

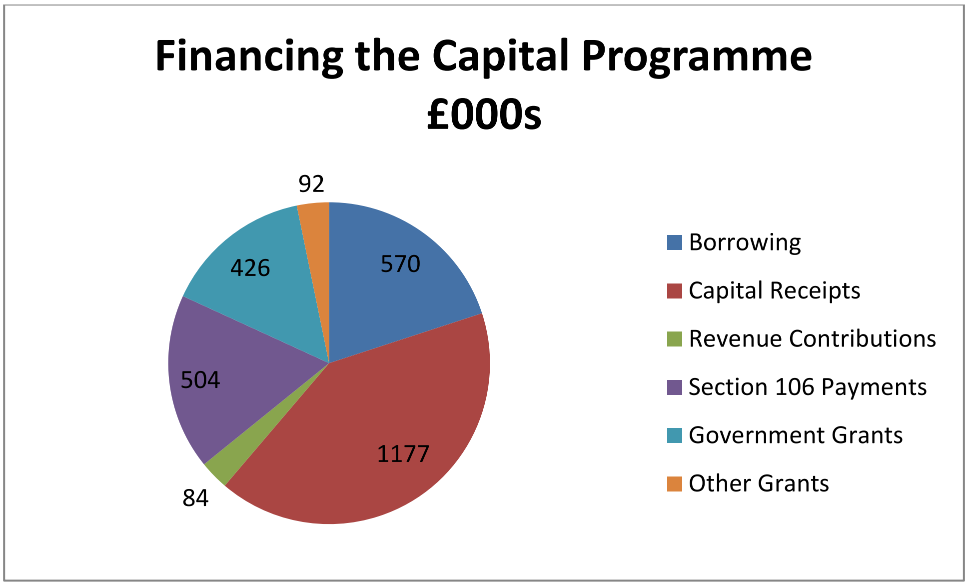
2017/18 was the second year of committing over £ ½ million a year to support people to remain in their own homes. Support is primarily through Disabled Facility Grants which from October 2017 are being delivered from the award winning Lightbulb project

Delivery of Capital Programme

The Council spent £2.853 million on Capital Schemes in 2017/18. This was less than the planned budget due to deferral of a number of schemes to future years. The key scheme to slip was the Council's Grow on Space scheme which had dependencies in respect of securing a site and confirmation of £3.2 million European Funding. This is expected to commence on site in the autumn of 2018/19.



In addition to funding a wide ranging Capital Programme, the Council has allocated through its grant panel £504K of S106 Grants. The most significant grant was £230K to Harborough Town Community Trust for Extended Provision. The S106 Grants are included in the pie charts detailing spend and financing



The Council is currently under-borrowed through using internal investment cash to offset more expensive borrowing. The borrowing detailed above is therefore permission to borrow in the future as no borrowing was undertaken in 2017/18.

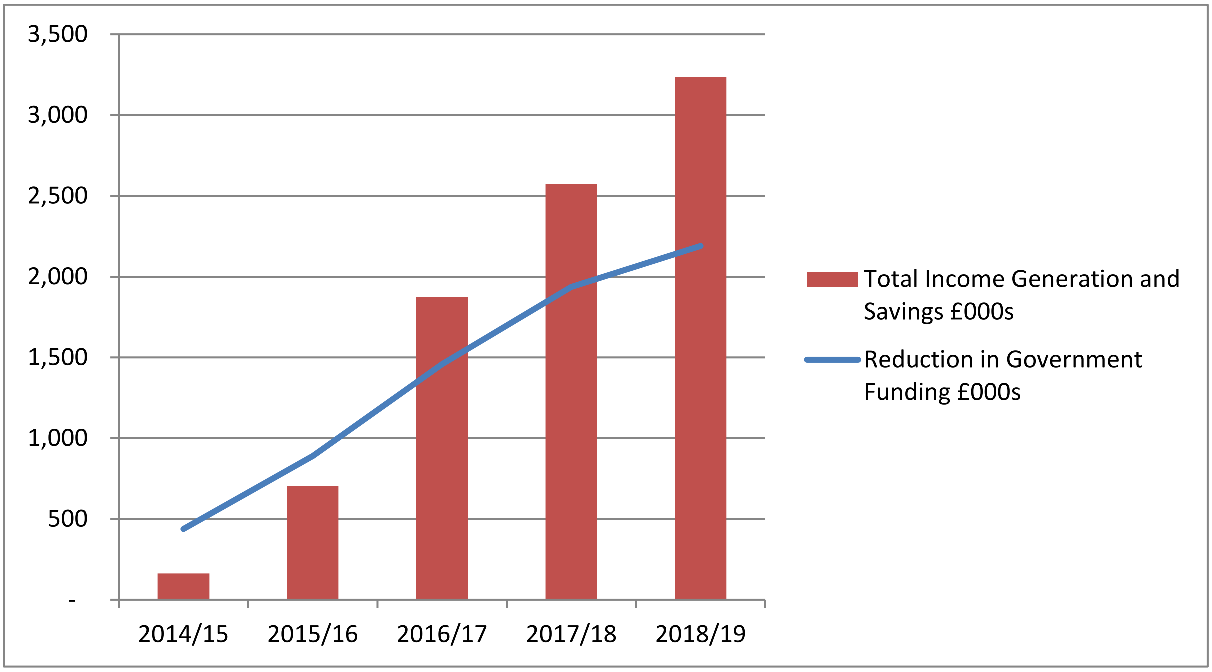
Financial Strategy

The Council has an approved Medium Term Financial Strategy (MTFS) to 2019/20. The overarching objective behind the MTFS is to ensure that the Council's financial resources are applied in a manner which achieves the strategic priorities set out in the Corporate Delivery Plan. By striving to ensure the costs of delivering its service objectives over the term of the strategy are commensurate with the overall forecast financial resources available, the Council can maintain the financial health of the authority in a manner which does not place an unreasonable burden on local taxpayers. The Efficiency Plan submitted to Government in 2017 identified the need for net efficiencies of:

	2017/18	2018/19	2019/20
	£000s	£000s	£000s
Net Efficiencies	350	600	672

The efficiency targets were refreshed subsequent to submission to the Government and the Council was successful in delivering its £700K of planned efficiencies and income targets for 2017/18

The Council also planned to use reserves and prior year surpluses to manage the impact of reductions in Government and partner organisation funding. Through a planned efficiency and income generation programme it has been possible in recent years to propose and deliver significant savings which is greater than the reduction on Government funding – this has allowed investment in priorities. All figures in the table below are cumulative



The Council has focused investment in 2018/19 into priority areas of Economic Development, Planning and Digital Transformation

Looking forward, the Council is on target to deliver £0.6 million of savings and income generation proposals in 2018/19 and is seeking further net efficiencies in 2019/20 to address increased cost pressures, for example pay award of 2% and to seek to reduce the use of General Fund Balances to support the Revenue Budget (£394K in 2018/19)

The risks to the delivery of budget plans in 2018/19 and 2019/20 focus around two key areas

(a) Continued volatility in respect of business rate appeals: Continued delays in the Valuation Office determining appeals from both the 2010 and 2017 Rating Lists mean that the Council continues to have to provide for significant appeal risks. The consequence of the above is that the budgeted provision for appeals has needed to be increased from increased from £5.115 million to £9.348 million in 2017/18 and further increasing to £13.160 million by the end of 2018/19. Harborough provides in its accounts for 40% of the provision. This means that the Business Rate Growth Reserve is now being drawn on rather than in previous years where net contributions were being made.

(b) Further reductions in Central Government Funding including the potential for 'negative' Revenue Support Grant in 2019/20 of £0.3 million with further uncertainty in 2020/21 onwards arising from the Government's fair funding review and changes in the business rate retention regime. This level of uncertainty supports the Council retaining high level of reserves during this period to manage any short term volatility and to assist in the transition towards increased financial sustainability.

Through robust financial planning, financial management and a strategic set of Corporate Priorities and outcomes the Council is confident that it will continue to operate as a Going Concern in the future

Financial Statements

- **The Movement in Reserves Statement** – show the movement during the year between the Council's "usable reserves" (i.e. those that can be used to fund expenditure or reduce Council Tax) and "unusable reserves". The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council's services. Also included are adjustments to ensure the General Fund balance is only charged with statutory expenditure plus contributions to/from earmarked reserves. The Council's usable reserves total £15.723 million (£14.596 in 2016/17).

- **The Comprehensive Income and Expenditure Statement** – reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The Income and Expenditure Account has been complied in accordance with the Service Reporting Code of Practice 2017/18. The deficit on the provision of services totalled £1.325 million (surplus of £1.006 million in 2016/17).

- **Expenditure and Funding Analysis.** – The accounts are prepared in accordance with the prescribed code for preparation by the Chartered Institute of Public Finance and Accountancy (CIPFA) As a result it is not easy to relate it to the Council's operational management structure. The Expenditure and Funding Analysis shows income and expenditure analysed over the Council's management structure/portfolios.

- **The Cash Flow Statement** – a summary of the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet. This shows an increase in cash and cash equivalents of £1.177 million.

- **The Collection Fund** – shows the transactions of the Council in relation to non-domestic rates and council tax. It illustrates the way in which these have been distributed to precepting authorities and the Council's General Fund.

- **The Balance Sheet** – shows the Council's overall financial position at the financial year end. It shows assets and liabilities at the top and the Council's reserves (net worth) to match them. Our Net Worth is £15.059 million (£11.328 in 2016/17) with the movement between years mainly accounted for by the following:

    (a) Valuation of Long term Property Assets: The balance sheet non current assets relate to land, property, plant and equipment and includes acquisitions and enhancements, changes in valuations and disposals. The value within the Accounts is £34.213 million, an increase of £1.883 million from 2016/17. Some of the change in valuation arise from the appointment of a new valuer and changes in the methodology and assumptions applied.

    (b) Liabilities: A major liability included within the long term liabilities relates to the deficit on the pension fund which amounts to £28.734 million a decease of £800K from 2016/17, this can be attributed to changes to actuarial financial assumptions . Further information on Pensions can be found within Note 43 of the Statement of Accounts.

(c) Provisions: The Council has made provision for valuation appeals still not settled by the Valuation Office of £3.750 million. This is an increase of £1.704 million from 2016/17.

(d) Cash and Cash Equivalents: The cash in the Council's Bank current accounts has increased by £1.168m from 2016/17. This is primarily a timing issue.

Summary

This Narrative Report aims to provide an overview of the Council's financial and non financial performance for 2017/18, alongside priorities for the future that are inextricably linked to the MTFS and the need to respond to changes in financing and the delivery of Council priorities.

The Statement of Accounts for 2017/18 present a true and fair financial position of Harborough District Council for the financial year ended 31st March 2018. Up to date and proper accounting records have been maintained in accordance with the accounting policies detailed.

Simon Riley, BA, CPFA
Section 151 Officer
Date: 25 July 2018

GENERAL ISSUES

Critical Judgements in Applying Accounting Policies

The income from the VAT shelter agreement with Seven Locks Housing is of a revenue nature and therefore is shown on the Comprehensive Income and Expenditure Statement.

Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2018 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
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, change in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Leicestershire County Council to provide all Leicestershire authorities with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £7,504k. However, the assumptions interact in complex ways. During 2017/18 the Council's actuaries advised that the net pensions liability decreased by £800k.This is as a result of changes to actuarial gains on assets and liabilities.
Arrears	At the 31st March 2018, Harborough District Council had a balance for sundry debtors of £1,058k. A review of significant balances resulted in a provision of £317k (30%). This includes provision for outstanding S106 debtors.	If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts of 5% would result in an additional £53k needing to be set aside as an allowance.

Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Section 151 Officer on 25 May 2018, and revised on 25 July 2018 after due consideration of any post balance sheet events. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 for one of its officers to be responsible for the administration of those affairs. In Harborough District Council, this is the Section 151 Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for preparing Harborough District Council's Statement of Accounts to present a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31 March 2018, according to the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

SECTION 151 OFFICER'S CERTIFICATION

I certify that I have prepared the accounts of the Council to comply with all legislative requirements and in accordance with the above Code of Practice.

I have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as I have determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Simon Riley, CPFA
<u>Section 151 Officer</u>
Date: 25 July 2018

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The ‘surplus or (deficit) on the provision of service’ line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund (GF) Balance for Council Tax setting purposes.

The ‘net increase/decrease before transfers to earmarked reserves’ line shows the statutory General Fund (GF) Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (revaluation reserve), where amounts only become available if assets are sold. Also reserves that hold timing differences shown in the Movement in Reserves Statement “Adjustments between accounting basis and funding basis under regulations.”

	Usable Reserves (£'000)						Unusable Reserves (£'000)								(£'000)
	General Fund (GF) Balance	Earmarked GF Reserves	General Reserves	Capital Receipts Reserve	Receipts In Advance Unapplied	**Total Usable Reserves**	Financial Instruments Adjustment Account	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumul'd Absences Account	**Total Unusable Reserves**	**Total Authority Reserves**
Balance at 31 March 2017 carried forward	**5,344**	**5,270**	**1,272**	**2,282**	**428**	**14,596**	**0**	**7,371**	**18,283**	**0**	**678**	**(29,534)**	**(66)**	**(3,268)**	**11,328**
Movement in reserves during 2017/18															
Surplus or (deficit) on provision of services (accounting basis)	(1,325)					**(1,325)**								**0**	**(1,325)**
Other Comprehensive Income and Expenditure						**0**		2,921				2,135		**5,056**	**5,056**
Total Comprehensive Income and Expenditure	**(1,325)**	**0**	**0**	**0**	**0**	**(1,325)**	**0**	**2,921**	**0**	**0**	**0**	**2,135**	**0**	**5,056**	**3,731**
Adjustments between accounting basis and funding basis under regulations (note 6)	2,072			332	48	**2,452**	(1)	(296)	(213)		(610)	(1,335)	3	**(2,452)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**747**	**0**	**0**	**332**	**48**	**1,127**	**(1)**	**2,625**	**(213)**	**0**	**(610)**	**800**	**3**	**2,604**	**3,731**
Transfers to/from Earmarked Reserves (note 7)	426	(95)	(331)			**0**								**0**	**0**
Increase/Decrease in year	**1,173**	**(95)**	**(331)**	**332**	**48**	**1,127**	**(1)**	**2,625**	**(213)**	**0**	**(610)**	**800**	**3**	**2,604**	**3,731**
Balance at 31 March 2018 carried forward	**6,517**	**5,175**	**941**	**2,614**	**476**	**15,723**	**(1)**	**9,996**	**18,070**	**0**	**68**	**(28,734)**	**(63)**	**(664)**	**15,059**

	Usable Reserves (£'000)						Unusable Reserves (£'000)								(£'000)
	General Fund (GF) Balance	Earmarked GF Reserves	General Reserves	Capital Receipts Reserve	Receipts In Advance Unapplied	**Total Usable Reserves**	Financial Instruments Adjustment Account	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumul'd Absences Account	**Total Unusable Reserves**	**Total Authority Reserves**
Balance at 31 March 2016 carried forward	**5,867**	**4,296**	**1,319**	**2,195**	**380**	**14,057**	**1**	**7,161**	**19,097**	**0**	**(1,378)**	**(23,931)**	**(60)**	**890**	**14,947**
Movement in reserves during 2016/17															
Surplus or (deficit) on provision of services (accounting basis)	1,006					**1,006**								**0**	**1,006**
Other Comprehensive Income and Expenditure						**0**		355				(4,980)		**(4,625)**	**(4,625)**
Total Comprehensive Income and Expenditure	**1,006**	**0**	**0**	**0**	**0**	**1,006**	**0**	**355**	**0**	**0**	**0**	**(4,980)**	**0**	**(4,625)**	**(3,619)**
Adjustments between accounting basis and funding basis under regulations (note 6)	(602)			87	48	**(467)**	(1)	(145)	(814)		2,056	(623)	(6)	**467**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**404**	**0**	**0**	**87**	**48**	**539**	**(1)**	**210**	**(814)**	**0**	**2,056**	**(5,603)**	**(6)**	**(4,158)**	**(3,619)**
Transfers to/from Earmarked Reserves (note 7)	(927)	974	(47)			**0**								**0**	**0**
Increase/Decrease in year	**(523)**	**974**	**(47)**	**87**	**48**	**539**	**(1)**	**210**	**(814)**	**0**	**2,056**	**(5,603)**	**(6)**	**(4,158)**	**(3,619)**
Balance at 31 March 2017 carried forward	**5,344**	**5,270**	**1,272**	**2,282**	**428**	**14,596**	**0**	**7,371**	**18,283**	**0**	**678**	**(29,534)**	**(66)**	**(3,268)**	**11,328**

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparision 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 services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

EXPENDITURE AND FUNDING ANALYSIS

31/03/2017 (Restated) Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Note	31 March 2018 Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
3,621	73	3,694	Corporate Governance		3,290	352	3,642
448	53	501	Community Safety		409	62	471
3	(2)	1	Strategy and Communication		(28)	14	(14)
(377)	1,182	805	Finance and Assets		(393)	1,306	913
2,077	(39)	2,038	Planning, Regeneration, Housing & Economic Development		2,392	133	2,525
3,908	177	4,085	Environment and Regulation		3,749	386	4,135
864	350	1,214	Wellbeing and Localities		960	77	1,037
10,544	**1,794**	**12,338**	**Net Cost of Services**		**10,379**	**2,330**	**12,709**
1,540	(649)	891	Other Operating Expenditure	**9**	2,359	(1,464)	895
(28)	835	807	Financing and Investment Income and Expenditure	**10**	(45)	775	730
(12,459)	(2,583)	(15,042)	Taxation and Non-specific Grant Income	**11**	(13,440)	431	(13,009)
(404)	**(602)**	**(1,006)**	**(Surplus)/Deficit on Provision of Services**	**8a/8b**	**(747)**	**2,072**	**1,325**
(11,482)			**Opening General Fund Balance**		(11,886)		
(404)			**Less Deficit on General Fund**		(747)		
(11,886)			**Closing General Fund**		**(12,633)**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the economic 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.

Restated 31 March 2017 Exp £'000	Restated 31 March 2017 Income £'000	Restated 31 March 2017 Net £'000		Note	31 March 2018 Exp £'000	31 March 2018 Income £'000	31 March 2018 Net £'000
16,446	(12,752)	3,694	Corporate Governance		15,407	(11,765)	3,642
761	(260)	501	Community Safety		763	(292)	471
1	0	1	Strategy and Communication		(14)	0	(14)
1,572	(767)	805	Finance and Assets		1,723	(810)	913
3,501	(1,463)	2,038	Planning, Regeneration, Housing & Economic Development		3,938	(1,413)	2,525
7,971	(3,886)	4,085	Environment and Regulation		8,319	(4,184)	4,135
1,834	(620)	1,214	Wellbeing and Localities		2,056	(1,019)	1,037
32,086	**(19,748)**	**12,338**	**Cost of Services**		**32,192**	**(19,483)**	**12,709**
1,851	(960)	891	Other Operating Expenditure	**9**	2,800	(1,905)	895
919	(112)	807	Financing and Investment Income and Expenditure	**10**	852	(122)	730
1,429	(16,471)	(15,042)	Taxation and Non-specific Grant Income	**11**	721	(13,730)	(13,009)
		(1,006)	**(Surplus)/Deficit on Provision of Services**	**8**			**1,325**
		(355)	(Surplus)/Deficit on Revaluation of Fixed Assets	**26**			(2,921)
		0	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				0
		4,980	(Actuarial Gains)/Losses on Pension Assets/Liabilities	**29**			(2,135)
		4,625	**Other Comprehensive (Income) and Expenditure**				**(5,056)**
		3,619	**Total Comprehensive (Income) and Expenditure**				**(3,731)**

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.

31 March 2017 £'000		Note	31 March 2018 £'000
32,330	Property, Plant & Equipment	**12**	34,213
15	Heritage Assets	**18**	15
109	Investment Property	**14**	156
104	Intangible Assets	**16**	41
391	Assets under Construction	**12**	1,126
4	Long Term Debtors	**20**	2
32,953	**Long Term Assets**		**35,553**
23,067	Short Term Investments	**17**	22,999
150	Assets held for Sale < 1 Year	**15**	0
92	Inventories	**19**	89
2,863	Short Term Debtors	**20**	2,529
862	Cash and Cash Equivalents	**21**	2,039
27,034	**Current Assets**		**27,656**
(15)	Short Term Borrowings	**17**	(15)
(13,537)	Short Term Creditors	**22**	(12,249)
(2,046)	Short Term Provisions	**23**	(3,750)
(15,598)	**Current Liabilities**		**(16,014)**
(1,521)	Long Term Borrowing	**17**	(1,511)
(29,534)	Pension Liability Account	**43c**	(28,734)
(2,006)	Grants Received in Advance	**39b**	(1,891)
(33,061)	**Long Term Liabilities**		**(32,136)**
11,328	**Net Assets**		**15,059**
14,596	Usable Reserves	**MiRS**	15,723
(3,268)	Unusable Reserves	**24**	(664)
11,328	**Total Reserves**		**15,059**

Simon Riley, CPFA
Section 151 Officer
Date 25 July 2018

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 (ie borrowing) to the authority.

2016/17 £'000		2017/18 £'000	Note
(1,006)	- **Net (surplus)/ deficit on the provision of Services**	**1,325**	
(3,550)	Adjustments to net (surplus)/ deficit on the provision of services for non - cash movements	**(3,408)**	
7,114	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	**1,465**	
2,558	**Net Cash flows from operating activities**	**(618)**	
(7,138)	Investing activities	**(1,493)**	32
3,957	Financing activities	**3,289**	33
(623)	**Net increase/(decrease) in cash and cash equivalents**	**1,177**	
1,485	Cash and Cash equivalents at the beginning of the reporting period	**862**	
862	Cash and Cash equivalents at the end of the reporting period	**2,039**	

NOTES TO THE FINANCIAL STATEMENTS

1) Summary of Significant Accounting Policies

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historic cost, modified by re-valuation of certain categories of non current assets and financial instruments.

b) Changes in accounting treatment

These policies ensure we produce our financial statements in accordance with the updated Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (based on International Financial Reporting Standards).

There are no changes in Accounting Treatment for the year.

c) Accruals of Income and Expenditure

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. That is, activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

i) ***Customer and Client Receipts*** – all sales, fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

ii) ***Employee Costs*** – the full cost of employees has been included for the period 1 April 2017 to 31 March 2018. The exception to this is that the reimbursement of travel expenses is made one month in arrears, so that the amount included in the accounts covers the period 1 March 2017 to 28 February 2018. This policy has been applied consistently between years, and does not have a material effect on the accounts.

iii) ***Interest*** – interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

iv) ***Supplies and Services*** – the costs of supplies and services have been accrued and included in the accounts for the period to which they relate. All material sums unpaid at the year-end for goods and services received or works completed, have been accrued. The exception to this policy relates to quarterly utility payments (eg. gas, electricity and water), which are charged at the date of the meter reading, and are not apportioned between financial years. Again this policy has been applied consistently between years and does not have a material effect on the accounts.

d) Cash and Cash Equivalents

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

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

e) Contingent Assets and Liabilities

Contingent assets and liabilities arise when an event has taken place that gives the Council a possible obligation, but needs another future event not controlled by the Council to confirm the obligation.
Contingent assets and liabilities are not recognised in the accounts, but are instead disclosed by means of a note to the balance sheet, where the inflow of a receipt or economic benefit is probable.

f) Employee Benefits

i) Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees.

An accrual is made, where material, for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period the employee takes the benefit. The accrual is charged to Surplus or Deficit on the provision of services, but then reversed out through the Movement of Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

ii) Termination Benefits
Termination benefits are amounts payable as a result of the council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Net Cost of Services line in the Comprehensive Income & Expenditure Statement when the council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

iii) Pension Benefits
The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council, which is accounted for as a defined benefits scheme.

The attributable assets of the scheme are measured at fair value:

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

The attributable liabilities of the scheme are measured 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 projections of projected earnings for current employees.

The change in the net pensions liability is analysed into the following components:
Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- actuarial gains and losses – changes in the net 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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority 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.

iv) 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 members of staff are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

g) 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 authority'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 year.

h) Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

i) Financial Instruments

i) Financial Liabilities (e.g. Borrowing)

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and carried at that value plus any interest due. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for that particular financial instrument.

For the council this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income & Expenditure Statement, regulations allow the impact on balances 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, unless the premium or discount is not material in amount. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

ii) Financial Assets (e.g. Investments)

Financial Assets are classified into two types:

- Loans and receivables – Investments that have fixed determinable payments but are not quoted in an active market
- Available-for-sale-assets – assets that have quoted market price and/or do not have fixed or determinable payments

Loans and Receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to 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 loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable 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 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.

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to 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. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Instruments with quoted market prices which the Council holds are held at the market price.

The Authority measures some of its non-financial assets such as surplus assets, investment properties and some financial instruments at fair value.

j) Foreign Currency Translation

From time to time the Council may receive income or incur expenditure in a foreign currency. In such circumstances the transaction is converted into sterling at the exchange rate in operation on the date on which the transaction occurred.

k) Government Grants and Other Contributions

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 or 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 or Taxation and Non Specific Grant line 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 Grant Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

l) Intangible Fixed Assets (Excluding Goodwill and Development Expenditure)

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 lines 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 of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

m) Leases

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

i) Finance leases
The Council does not presently have any assets acquired by way of finance lease.

ii) Operating leases
Rentals paid under operation leases are charged to the Comprehensive Income & Expenditure Statement as a cost to the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

Where the council grants an operating lease over property, plant or equipment the asset is retained in the Balance Sheet. Rental income is credited on a straight-line basis over the life of the lease, even if this does not match the pattern of the payment, to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement.

n) Overheads

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

o) 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.

i) 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. The Council has a de minimus level for recognition as an asset, an item or a related group of items must have a minimum expenditure value of £5,000 excluding VAT.

ii) 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 cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have any commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate
- All other assets are carried at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued to a five year rolling programme, although material changes to valuations are adjusted in the interim period.

The last full revaluation was as at 31 March 2014. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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 in the Comprehensive Income and Expenditure Statement.

iii) 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 this 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 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.

iv) 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 useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where depreciation is provided for, assets are being depreciated using the straight-line method over their useful lives as advised by the valuer/suitably qualified officer.

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

v) 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 subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement 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 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 relating to old housing disposals are 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. 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.

p) Provisions

Provisions are required for any losses or liabilities which are likely or certain to be incurred, where the amounts or dates upon which they will arise are uncertain. Where applicable, these provisions are detailed in the notes to the Core Financial Statements. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When expenditure is incurred it is charged to the provision set up in the balance sheet.

q) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General

Fund Balance. When expenditure to be financed from a reserve in incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement. The equivalent proportion reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

The usable capital receipts reserve is a reserve established for specific statutory purposes.

r) <u>Revenue Expenditure Funded from Capital Under Statute</u>

Expenditure incurred during the year that may be funded from capital under statutory provisions but does not result in the creation of non current assets is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under Section 16 (2) of Part 1 of the Local Government Act 2003. Where the cost of this expenditure is met from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

s) <u>Inventories and Long Term Contracts</u>

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services received under the contract during the financial year.

t) <u>Value Added Tax</u>

VAT is included in income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

u) <u>Charges to Revenue for Non-current Assets</u>

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

“...depreciation attributable to the assets used by the relevant service.”
“…revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.”
“…amortisation of intangible assets attributable to the service.”

The Authority 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 either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or loans fund principal charges (Scotland)].

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance [MRP or loans fund principal], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

w) 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length, unless the authority can demonstrate that the carrying value is not materially different from the fair value.

Properties 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 applied to gains and losses on disposal.

If a reliable fair value cannot be determined because comparable market transactions are infrequent and alternative reliable estimates of fair value are not available, then the asset should be accounted on a cost basis and depreciation continues to be charged.

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

x) Council Tax and Non-domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for ourselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement if the authority’s share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

2) Changes in accounting estimates

There have been no changes to accounting estimates during the financial year.

3) Impact of accounting standards that have been issued but not yet adopted

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 April 2017.

The Code of Practice on Local Council Accounting in the United Kingdom 2018/19 (the Code) has introduced changes in accounting policies as follows;

- **IFRS 9 *Financial Instruments* –** which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There is not expected to be any changes in the measurement of financial assets.

- **IFRS 15 *Revenue from Contracts with Customers* -** presents new requirements for the recognition of revenue, based on a control-based revenue recognition model.

- **Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* –** applies to deferred tax assets related to debt instruments measured at fair value.

- **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative –** will potentially require some additional analysis of Cash Flows from Financing Activities in future years.

- **IFRS 16 Leases –** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases)

4) Prior Period Errors

There are no prior period errors.

5) Prior Period Adjustments, Changes in Accounting Policies and Estimate errors

No prior period adjustments have been made to the Council's 2016/17 published financial statements.

6) Notes to Movement In Reserves Statement

The notes on the following pages show the adjustments between accounting basis and funding basis under regulations.

2017/18	Usable Reserves (£'000)				Unusable Reserves (£'000)							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments involving the Capital Adjustment Account												
Reversal of Items DR/CR to the CIES												
Charges for Depreciation and impairment of non-current assets	(1,630)			(1,630)		296	1,334					1,630
Amortisation of intangible assets	(72)			(72)			72					72
Capital grants and contributions applied	895			895			(895)					(895)
Revenue expenditure funded from capital under statute	(962)			(962)			962					962
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(682)			(682)			682					682
Insertion of items not DR/CR to the CIES												
Statutory provision for the financing of capital investment	553			553			(553)					(553)
Capital expenditure charged against the GF and HRA Balances	84			84			(84)					(84)
Adjustments primarily involving the Capital Grants Unapplied Account												
Capital grant and contributions unapplied credited to the CIES	176		(176)	0								0
Application of grants to capital financing			128	128			(128)					(128)
Adjustments primarily involving the Capital Receipts Reserve												
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	1,527	(1,527)		0								0
Use of the Capital Receipts Reserve to finance new capital expenditure		1,177		1,177			(1,177)					(1,177)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(18)	18		0								0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0		0								0
Adjustments primarily involving the deferred Capital Receipts Reserve												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		0		0								0
Adjustments primarily involving the Financial Instruments Adjustment Account												
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(1)			(1)	1							1
Adjustments primarily involving the Pension Reserve												
Reversal of items relating to retirement benefits DR/CR to CIES	(2,693)			(2,693)						2,693		2,693
Employers pension contributions and direct payments to pensioners payable in the year	1,358			1,358						(1,358)		(1,358)
Adjustments primarily involving the Collection Fund Adjustments Account												
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	(610)			(610)					610			610
Adjustment primarily involving Accumulated Absences Account												
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3			3							(3)	(3)
Total Adjustments	**(2,072)**	**(332)**	**(48)**	**(2,452)**	**1**	**296**	**213**	**0**	**610**	**1,335**	**(3)**	**2,452**

2016/17	Usable Reserves (£'000)				Unusable Reserves (£'000)							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments involving the Capital Adjustment Account												
Reversal of Items DR/CR to the CIES												
Charges for Depreciation and impairment of non-current assets	(1,679)			(1,679)		145	1,534					1,679
Amortisation of intangible assets	(116)			(116)			116					116
Capital grants and contributions applied	936			936			(936)					(936)
Revenue expenditure funded from capital under statute	(829)			(829)			829					829
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(526)			(526)			526					526
Insertion of items not DR/CR to the CIES												
Statutory provision for the financing of capital investment	517			517			(517)					(517)
Capital expenditure charged against the GF and HRA Balances	224			224			(224)					(224)
Adjustments primarily involving the Capital Grants Unapplied Account												
Capital grant and contributions unapplied credited to the CIES	123		(123)	0								0
Application of grants to capital financing			75	75			(75)					(75)
Adjustments primarily involving the Capital Receipts Reserve												
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	528	(528)		0								0
Use of the Capital Receipts Reserve to finance new capital expenditure		439		439			(439)					(439)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(2)	2		0								0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0		0								0
Adjustments primarily involving the deferred Capital Receipts Reserve												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		0		0								0
Adjustments primarily involving the Financial Instruments Adjustment Account												
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(1)			(1)	1							1
Adjustments primarily involving the Pension Reserve												
Reversal of items relating to retirement benefits DR/CR to CIES	(1,905)			(1,905)						1,905		1,905
Employers pension contributions and direct payments to pensioners payable in the year	1,282			1,282						(1,282)		(1,282)
Adjustments primarily involving the Collection Fund Adjustments Account												
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated in the year in accordance with statutory requirements	2,056			2,056					(2,056)			(2,056)
Adjustment primarily involving Accumulated Absences Account												
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)			(6)							6	6
Total Adjustments	**602**	**(87)**	**(48)**	**467**	**1**	**145**	**814**	**0**	**(2,056)**	**623**	**6**	**(467)**

7) Transfers to/from Earmarked Reserves

Reserve	Balance 31 March 2016 £'000	Transfers Out £'000	Transfers In £'000	Balance 31 March 2017 £'000	Transfers Out £'000	Transfers In £'000	Balance 31 March 2018 £'000
Earmarked Reserves:							
Business rates growth	(1,410)	624	(1,430)	(2,216)	1,300	(721)	(1,637)
Individual electoral registration	(42)		(16)	(58)			(58)
Elections	(45)			(45)		(20)	(65)
Asset Management	(160)			(160)			(160)
Local Development Framework	(311)	304	(265)	(272)	160	(143)	(255)
VAT Shelter	(637)		(70)	(707)		(15)	(722)
Organisational Capacity	(170)			(170)			(170)
Training & Development	(46)			(46)			(46)
Developer Commuted Contributions	(281)	45		(236)	44		(192)
New Homes Bonus	(347)		(400)	(747)		(400)	(1,147)
New Homes Bonus - Locality Fund	(175)	147		(28)	71	(69)	(26)
Revenues & Benefits	(134)		(19)	(153)	8	(16)	(161)
Health & Wellbeing Forum	(22)			(22)			(22)
Physical Activity	(87)	33		(54)	30		(24)
Planning	(370)	95		(275)	20	(28)	(283)
Recreation Development	(2)			(2)			(2)
Community Safety Partnership	(16)	6		(10)		(14)	(24)
Sure Start	(1)			(1)			(1)
OPCC	0		(2)	(2)			(2)
Neighbourhood Planning	0		(26)	(26)	26		0
Energy Promotion	(5)			(5)			(5)
Air Quality Management				0		(86)	(86)
Homelessness				0		(32)	(32)
Repairs reserve				0		(20)	(20)
VAT Claim Reserve	(35)			(35)			(35)
	(4,296)	1,254	(2,228)	(5,270)	1,659	(1,564)	(5,175)
General Fund Reserve	(1,319)	47		(1,272)	339	(8)	(941)
	(5,615)	**1,301**	**(2,228)**	**(6,542)**	**1,998**	**(1,572)**	**(6,116)**

8) a)Expenditure and income analysed by nature

2016/17 £'000		2017/18 £'000
	Expenditure/Income **Expenditure**	
8,477	Employee benefits expenses	9,432
24,566	Other services expenses	23,722
1,796	Depreciation,amortisation, impairment	1,618
75	Interest payments	75
1,372	Precepts and levies	1,494
(526)	Gain on the disposal of assets	(766)
35,760	**Total expenditure**	**35,575**
	Income	
(6,228)	Fees,charges and other service income	(6,544)
(99)	Interest and investment income	(103)
(6,824)	Income from council tax	(7,209)
(23,615)	Government grants and contributions	(20,394)
(36,766)	**Total income**	**(34,250)**
(1,006)	**(Surplus) or Deficit on the Provision of Services**	**1,325**

8 b)Expenditure and funding note

2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
Corporate Governance	102	253	(2)	352
Community Safety	27	34	0	62
Strategy and Communication	0	14	0	14
Finance and Assets	1,305	1	0	1,306
Planning, Regeneration, Housing & Economic Development	2	132	(1)	133
Environment and Regulation	278	109	(1)	386
Wellbeing and Localities	59	18	0	77
Net Cost of Services	**1,773**	**561**	**(4)**	**2,330**
Other Operating Expenditure	(1,464)	0	0	(1,464)
Financing and Investment Income and Expenditure	0	774	1	775
Taxation and Non-specific Grant Income	(179)	0	610	431
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	130	1,335	607	2,072

2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
Corporate Governance	134	(62)	2	73
Community Safety	69	(18)	1	53
Strategy and Communication	0	(2)	0	(2)
Finance and Assets	1,280	(99)	1	1,182
Planning, Regeneration, Housing & Economic Development	2	(42)	1	(39)
Environment and Regulation	255	(79)	1	177
Wellbeing and Localities	259	91	0	350
Net Cost of Services	**1,999**	**(211)**	**6**	**1,794**
Other Operating Expenditure	(649)	0	0	(649)
Financing and Investment Income and Expenditure	0	834	1	835
Taxation and Non-specific Grant Income	(527)	0	(2,056)	(2,583)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	824	623	(2,049)	(602)

Note 1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for these assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie 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 from those receivable without conditions or for which conditions are 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.

Note 2) Net change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of the IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** – this represents the removal of the 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 CIES.

Note 3) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and the 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 timing differences for premiums and discounts.
- 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 NDR that is 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.

9) Other Operating Expenditure

Exp £'000	Income £'000	2016/17 £'000		Exp £'000	Income £'000	2017/18 £'000
1,372	0	1,372	Precepts paid to Parish Councils	1,494	0	1,494
2	(528)	(526)	Disposal of Capital Interests	761	(1,527)	(766)
0	(70)	(70)	Income from VAT Shelter		(23)	(23)
477	(362)	115	Total net surplus(-)/deficit from Market Hall Trading Operation	545	(355)	190
1,851	**(960)**	**891**	**Other Operating Expenditure**	**2,800**	**(1,905)**	**895**

10) Financing & Investment Income & Expenditure

Exp £'000	Income £'000	2016/17 £'000		Exp £'000	Income £'000	2017/18 £'000
75	0	75	Interest Payable (including finance leases)	75	0	75
0	(99)	(99)	Interest & Investment Income	0	(103)	(103)
10	(13)	(3)	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	3	(19)	(16)
834	0	834	Pensions Interest Costs & Expected Return on Assets	774	0	774
919	**(112)**	**807**	**Financing & Investment Income & Expenditure**	**852**	**(122)**	**730**

11) Taxation & Non-specific Grant Income

Exp £'000	Income £'000	2016/17 £'000		Exp £'000	Income £'000	2017/18 £'000
	(4,497)	(4,497)	General Government Grants & Contributions		(3,246)	(3,246)
0	(528)	(528)	Capital Grant & Contribution	0	(179)	(179)
1,429	(4,622)	(3,193)	Non Domestic Rates	721	(3,096)	(2,375)
	(6,824)	(6,824)	Council tax income		(7,209)	(7,209)
1,429	**(16,471)**	**(15,042)**	**Taxation & Non-specific Grant Income**	**721**	**(13,730)**	**(13,009)**

12) PropertyPlant&Equipment

	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation							
At 31st March 2017	30,167	2,521	430	1,953	0	398	35,469
Additions	204	281	0	3	0	1,395	1,883
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	1,644	0	0	0	0	2	1,646
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	0	0	0	0	0	0	0
Derecognition - Disposals	0	(70)	0	0	0	0	(70)
Reclassifications:							
- to Held for Sale	(593)	0	0	0	0	0	(593)
- Other Assets	626	36	0	0	0	(662)	0
Other movements in Cost or Valuation	(344)	0	0	0	0	(7)	(351)
At 31st March 2018	31,704	2,768	430	1,956	0	1,126	37,984
Accumulated Depreciation and Impairment							
At 31st March 2017	(783)	(1,636)	(54)	(268)	0	(7)	(2,748)
Depreciation	(999)	(306)	(9)	(29)	0	0	(1,343)
Depreciation written out to Revaluation reserve	1,228	0	0	0	0	0	1,228
Impairment Losses / (Reversals) recognised in the Surplus / Deficit on Provision of Services	(203)	0	0	0	0	0	(203)
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Derecognition - Disposals	0	70	0	0	0	0	70
Other Movements in Depreciation and Impairment	344	0	0	0	0	7	351
At 31st March 2018	(413)	(1,872)	(63)	(297)	0	0	(2,645)
Net Book Value							
At 31st March 2018	31,291	896	367	1,659	0	1,126	35,339
At 31st March 2017	29,384	885	376	1,685	0	391	32,721

Comparative movements in 2016/17

	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation							
At 31st March 2016	30,249	2,580	427	1,953	150	44	35,403
Additions	53	63	3	0	0	713	832
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	(396)	0	0	0	0	0	(396)
Revaluation Increases/ (Decreases) recognised in Surplus/Deficit on provision of services	0	0	0	0	0	0	0
Derecognition - Disposals	0	(122)	0	0	0	0	(122)
Reclassifications:							
- to Held for Sale	0	0	0	0	(150)	0	(150)
- Other Assets	351	0	0	0	0	(351)	0
Other movements in Cost or Valuation	(90)	0	0	0	0	(8)	(98)
At 31st March 2017	30,167	2,521	430	1,953	0	398	35,469
Accumulated Depreciation and Impairment							
At 31st March 2016	(312)	(1,433)	(46)	(240)	0	(8)	(2,039)
Depreciation	(976)	(325)	(8)	(28)	0	0	(1,337)
Depreciation written out to Revaluation reserve	751	0	0	0	0	0	751
Impairment Losses / (Reversals) recognised in the Surplus / Deficit on Provision of Services	(324)	0	0	0	0	(7)	(331)
Impairment losses / (reversals) recognised in the Revaluation Reserve	(12)	0	0	0	0	0	(12)
Derecognition - Disposals	0	122	0	0	0	0	122
Other Movements in Depreciation and Impairment	90	0	0	0	0	8	98
At 31st March 2017	(783)	(1,636)	(54)	(268)	0	(7)	(2,748)
Net Book Value							
At 31st March 2017	29,384	885	376	1,685	0	391	32,721
At 31st March 2016	29,937	1,147	381	1,713	150	36	33,364

a) Depreciation

All assets which attract a charge for depreciation are depreciated using the straight line method, assuming no residual value. The valuers have assessed the remaining useful life of each asset as part of the valuation exercise. The Council has taken these estimated useful lives into account when calculating depreciation. For each category of asset, the useful lives used are as follows:

- Land and buildings – Buildings: minimum 10 years, maximum 50 years; Land is not depreciated (in line with the Code and standard practice)
- Vehicles plant and equipment – minimum 5 years, maximum 10 years;
- Infrastructure assets – Buildings 25 years.

Certain assets have not been depreciated for the following reasons:

- Community assets – mainly freehold land which is not depreciable;

b) Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years budgeted to cost £129k. Similar commitments at 31 March 2017 were £720k. The major commitments are:

Scheme	Contracted Work	£'000
S106 Grant Panel Award	Kibworth Tennis Club - replace club house	50
S106 Grant Panel Award	Various Community projects	51
ICT Hardware Refresh	Project management etc	28
		129

c) Valuation of Plant, Property and Equipment

The Council's policy with regard to the valuation of tangible fixed assets is that assets held in the balance sheet at fair value are formally revalued to a five year rolling programme, although any material changes to valuations are adjusted in the interim period. Where not explicitly stated otherwise, property revaluations have been completed by Mr G Harbord MA MRICS IRRV (Hons) a qualified valuer and a partner of

Wilks Head & Eve LLP. A desktop valuation exercise was carried out to identify any material changes to valuations as at 31 March 2018.

The significant assumptions applied in estimating fair values are:

- that good title can be shown and all valid planning permissions and statutory approvals are in place
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted
- that an inspection of those parts not inspected would not reveal defects that would affect valuation
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation

Land and Buildings / Asset Held For Sale – valued in accordance with International Financial Reporting Standards as applied to the United Kingdom public sector interpreted by the current CIPFA Code of Practice for Local Authority Accounting.
The valuations are made in accordance with the RICS Valuation - Professional Standards 2014 UK edition, in so far as they are consistent with the IFRS standards and CIPFA interpretation, (RICS UKVS 1.12).

Any departure from these standards are listed below:

- the instant building approach has been adopted. For assets valued at depreciated replacement cost no building periods, nor consequential finance costs have been reflected in their valuations, this has been valued in accordance with UKVS 1.15 in addition to UKGN2 of the red book.

Vehicles, Plant, etc. Infrastructure, Community & AUC Assets – based on Historic Cost.

	Other Land and Buildings	**VPE, Infrastructure, Community, & AUC**	**Assets Held For Sale**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Valued at Historic Cost:	0	4,048	0	4,048
Valued at Fair Value: 31 March 2018	31,291	0	0	31,291

13) Leases

a) The Council as Lessee

i) Finance Leases

The Council as Lessee did not hold any finance leases in 2017/18.

ii) Operating Leases

The Council held the following operating leases in 2017/18:

Control Centre Operation
The Council has a lease agreement for floor space at the Market Harborough Police Station for the Control Centre operation. A lease was signed on 8 September 2015, expiring on 7 September 2018.

Waste Contract
The Council has a 7 year contract with FCC Environment (UK) Ltd for waste collection, recycling, street cleaning and grounds maintenance, commencing on 1 April 2016 and expiring on 31 March 2023. This is an extension of the original contract which ran from April 2009 to March 2016.

During 2016/17 the fleet of recycling vehicles exceeded 7 years of age and at this point the criteria to carry the assets as operating leases under IRRIC 4 was no longer met.

Storage
The Council had a short term lease arrangement for a storage unit at Bath Street, Market Harborough which ceased on 29 September 2016.

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

	31 March 2017	31 March 2018
Minimum Lease Payments Due in future years are:	**£'000**	**£'000**
Not later than one year	8	3
Later than one year and not later than five years	3	0
Later than five years	0	0
	11	**3**

The expenditure charged to the net cost of services line in the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was:

	2016/17 £'000	2017/18 £'000
Minimum lease payments	10	8
Contingent rents	0	0
Sublease payments receivable	0	0
	10	**8**

b) The Council as Lessor

i) Finance Leases

The Council as lessor did not hold any finance leases in 2017/18.

ii) Operating Leases

The Council has leased out properties under operating leases for the following purpose:

- for the provision of community services, such as the library and sports facilities.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- To earn commercial rentals

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

Minimum Lease Payments Due in future years are:	**31 March 2017** **£'000**	**31 March 2018** **£'000**
Not later than one year	76	90
Later than one year and not later than five years	104	60
Later than five years	25	23
	205	**173**

14) Investment Properties

Land at the former Cattle Market site

The Council, as lessor, maintains an operating lease with Sainsbury's Supermarkets Ltd for land at the former cattle market site, now used as a retail park, with integrated car parking. The freehold remains an asset of the Authority.

The lease of the land is for a period of 80 years expiring on 22 December 2071. Annual rental is the sum of one peppercorn (if demanded).

Initial cost of the asset predates 1992. Fair value, should the Council determine to sell the asset to the lessee, is £1.00, according to the terms of the lease.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Welland Park Cafe

The Council, as lessor, maintains an operating lease for the café premises at Welland Park. The freehold remains an asset of the authority.

The lease of the premise is for a period of 5 years expiring on 31 July 2020. Annual rental has been set at a level consistent with current market rates, with a rent review set for 13 August 2018.

At the end of the lease period, vacant possession of the premises is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Doddridge Road Office (Jubilee Memorial Hall)

The Council, as lessor, maintains an operating lease for the office premises at Doddridge Road to HF Trust Ltd. The freehold remains an asset of the authority.

The lease of the premises is for a period of 5 years expiring on 12 July 2020. Annual rental has been set at a level consistent with current market rates.

At the end of the lease period, vacant possession of the premises is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Land at Symingtons Recreation Ground

The Council, as lessor, maintains an operating lease for a parcel of land (the former Symington Recreation Bowling Club) at the Symington Recreation Ground to Harborough Youth And Community Trust, including a building constructed under a licence to alter, which will revert back to the Council on expiry of the lease. The freehold remains an asset of the authority.

The lease of the land is for a period of 28 years expiring on 8 August 2040. Annual rental is the sum of one peppercorn (if demanded).

At the end of the lease period, vacant possession of the land (and premises) is given back to the Council.

The lease has been determined as an operating lease with reference to IAS17 – Classification of leases and IAS40 – Recognition.

Investment Properties	**2016/17 £'000**	**2017/18 £'000**
Balance as at 1 April	**109**	**109**
Additions	0	0
Transfers From Other Land & Buildings	0	0
Disposals	0	0
Net Gain / Losses from Fair Value Adjustments	0	47
Balance as at 31 March	**109**	**156**

15) Assets held for Sale

	Non-current 2016/17 £'000	2017/18 £'000
Balance at 1 April	**0**	**150**
Assets newly classified as held for sale:		
- Property, Plant & Equipment	150	593
Impairment Losses	0	0
Assets Sold	0	(743)
Other Movements:		
- Disposal Costs	0	0
Balance at 31 March	**150**	**0**

Asset sales in 2017/18 comprised the Settling Rooms, Market Harborough and four housing properties at St Cuthbert’s Avenue, Great Glen, developed on a former garage site.

16) Intangible Assets

	2016/17 Purchased Software Licences	2017/18 Purchased Software Licences
	£'000	£'000
Original Cost	1,158	1,174
Amortisations to 1 April	(954)	(1,070)
Carrying Value at 1 April	204	104
Expenditure in Year	16	9
Disposals		
- obsolete software	(78)	0
Revaluations in Year	0	0
Impairment in Year	0	0
Write out amortisation upon disposal	78	0
Amortisation to Revenue for year	(116)	(72)
Balance at 31 March	104	41

During the financial year the Council purchased software licences as part of the ongoing ICT Refresh programme. This included core security software.

The cost of these licences is amortised to revenue over three to five years in line with the estimated useful life of the software.
There were no internally generated intangible assets in 2016/17 or 2017/18.

17) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

2017/18	Long-Term		Current	
	31/03/2017 £'000	**31/03/2018 £'000**	**31/03/2017 £'000**	**31/03/2018 £'000**
Financial Liabilities (principal amount)	**(1,521)**	**(1,511)**	**0**	**0**
Financial Liabilities at Amortised Cost	(1,521)	(1,511)	(15)	(15)
Financial Liabilities at Fair Value through the Income & Expenditure Account	0	0	0	0
Total Borrowings	**(1,521)**	**(1,511)**	**(15)**	**(15)**
Loans & Receivables (principal amount)	**0**	**0**	**23,067**	**22,999**
Loans & Receivables	0	0	23,067	22,999
Available for Sale Financial Assets	0	0	0	0
Cash & Cash Equivalents	0	0	10	19
Financial Assets at Fair Value through the Income & Expenditure Account	0	0	0	0
Total Investments	**0**	**0**	**23,077**	**23,018**

The principal amounts for financial liabilities (loans) and loans and receivables (investments) have been included in the table above to show the actual figures borrowed and invested. The amortised cost figures include interest accrued.

a) Financial Instruments Gains & Losses

The gains and losses recognised in the Total Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows.

2017/18	**Financial Liabilities**	**Financial Assets**		**Total**
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	Fair Value through the CIES £'000	**£'000**
Interest Expense	(75)	0	0	(75)
Losses on Derecognition	0	0	0	0
Impairment Losses	0	0	0	0
Interest Payable & Similar Charges	**(75)**	**0**	**0**	**(75)**
Interest Income	0	103	0	103
Gains on Derecognition	0	0	0	0
Interest & Investment Income	**0**	**103**	**0**	**103**
Gains on Revaluation	0	0	0	
Losses on Revaluation	0	0	0	
Impairment charged to Income & Expenditure Account	0	0	0	
Surplus arising on revaluation of Financial Assets	**0**	**0**	**0**	
Net Gain/(Loss) for the Year	**(75)**	**103**	**0**	

2016/17	**Financial Liabilities**	**Financial Assets**		**Total**
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	Fair Value through the CIES £'000	**£'000**
Interest Expense	(76)	0	0	(76)
Losses on Derecognition	0	0	0	0
Impairment Losses	0	0	0	0
Interest Payable & Similar Charges	**(76)**	**0**	**0**	**(76)**
Interest Income	0	99	0	99
Gains on Derecognition	0	0	0	0
Interest & Investment Income	**0**	**99**	**0**	**99**
Gains on Revaluation	0	0	0	
Losses on Revaluation	0	0	0	
Impairment charged to Income & Expenditure Account	0	0	0	
Surplus arising on revaluation of Financial Assets	**0**	**0**	**0**	
Net Gain/(Loss) for the Year	**(76)**	**99**	**0**	

Fair Value of Assets & Liabilities carried at Amortised Cost

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

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

The fair values calculated are as follows:

	31/03/2017		31/03/2018	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB Debt	1,505	2,505	1,505	2,494
Non-PWLB Debt	0	0	0	0
Total Debt	**1,505**	**2,505**	**1,505**	**2,494**
Creditors	8,578	8,578	9,411	9,411
Total Financial Liabilities	**10,083**	**11,083**	**10,916**	**11,905**
The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.				
Money Market Loans less than 1 Year	23,067	23,079	22,999	22,999
Money Market Loans greater than 1 Year	0	0	0	0
Trade Debtors	1,628	1,628	1,058	1,058
Short Term Loans	0	0	0	0
Long Term Debtors	4	4	2	2
Total Loans and Receivables	**24,699**	**24,711**	**24,059**	**24,059**

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2018. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to the PWLB redemption rules which provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

18) 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.

In 2014/15 the Council commissioned a sculpture to commemorate the refurbishment of The Symington Building. The resulting wall art of stylised bodices “The Swedish Maidens” represents the buildings historical use as a corset factory.
It is considered that this art has measurable value and is therefore recorded on the balance sheet at “build cost”.

	2016/17 £000's	2017/18 £000's
Balance at 1 April	15	15
Additions	0	0
Balance at 31 March	**15**	**15**

The Council has reviewed all remaining heritage assets and these are considered to be immaterial and are therefore not shown separately in the balance sheet. The cost of valuing these assets outweighs the benefit to the user of these financial statements.

19) Inventories

Consumable Stores	2016/17 £'000	2017/18 £'000
Balance at 1 April	72	92
Purchases	43	22
Recognised as an expense in the year	(23)	(25)
Written Off		
Balance at 31 March	**92**	**89**

20) Debtors

Short Term

2016/17				2017/18		
Debt £'000	Impairments £'000	Net £'000		Debt £'000	Impairments £'000	Net £'000
539	0	539	Central government bodies	673	0	673
1,064	0	1,064	Other Local Authorities	1,012	0	1,012
1	0	1	NHS Bodies	0	0	0
0	0	0	Public Corporations	0	0	0
2,626	(1,367)	1,259	Other entities and individuals	2,119	(1,275)	844
4,230	**(1,367)**	**2,863**	**Total**	**3,804**	**(1,275)**	**2,529**

Long Term

	2016/17 £'000	2017/18 £'000
Leisure Trust Debtor	4	2
Total	**4**	**2**

21) Cash and Cash Equivalents

	2016/17 £'000	2017/18 £'000
Cash held by the Authority	1	1
Bank Current Accounts	851	2,019
Short term deposits with Building Societies	10	19
Total	**862**	**2,039**

22) Creditors

	2016/17 £'000	2017/18 £'000
Central government bodies	(3,434)	(6,032)
Other Local Authorities	(4,959)	(2,644)
NHS Bodies	(547)	(574)
Public Corporations	0	0
Other entities and individuals	(4,597)	(2,999)
Total	**(13,537)**	**(12,249)**

23) Provisions

Business Rates Appeals Provisions	2016/17 £'000	2017/18 £'000
Balance at 1 April	(2,290)	(2,046)
(Additional provisions made)/Amounts used	244	(1,704)
Balance at 31 March	**(2,046)**	**(3,750)**

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability, and the Department for Communities and Local Government, Leicestershire County Council and Leicestershire Fire Authority and responsible for a 50%, 9% and 1% share respectively.

24) Unusable reserves

	Note	31 March 2017 £'000	31 March 2018 £'000
Financial Instruments Adjustment Account	**25**	0	1
Revaluation Reserve	**26**	(7,371)	(9,996)
Capital Adjustment Account	**27**	(18,283)	(18,070)
Collection Fund Adjustment Account	**28**	(678)	(68)
Pensions Reserve	**29**	29,534	28,734
Accumulated Absences Account	**30**	66	63
Total Unusable Reserves		**3,268**	**664**

25) Financial Instruments Adjustment Account

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**(1)**	**0**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Soft Loans	1	1
Balance at 31 March	**0**	**1**

26) Revaluation reserve

	2016/17 £'000	2017/18 £'000
Balance as at 1 April	**(7,161)**	**(7,371)**
Upward revaluation of assets	(355)	(3,107)
Downward revaluation of assets	0	186
Impairment losses not charged to the surplus / deficit on the provision of services	11	0
Accumulated Gains on Assets sold or scrapped	0	77
Difference between fair value depreciation & historical cost depreciation	134	219
Balance as at 31 March	**(7,371)**	**(9,996)**

27) Capital Adjustment Account

	2016/17 £'000	2017/18 £'000
Balance as at 1 April	**(19,097)**	**(18,283)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
General Fund Charges for depreciation & impairment of non current assets	1,668	1,546
Amortisation of Intangible asset reversal	116	72
Revenue Expenditure funded from Capital Statute	829	962
	2,613	**2,580**
Adjusting amounts written out of the Revaluation Reserve	**(134)**	**(219)**
Disposal of assets Gains / (Losses)	**526**	**766**
Revaluation Losses on PPE	**0**	**(77)**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(439)	(1,177)
Capital expenditure charged against the General Fund balances	(224)	(84)
Capital grants & contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	(936)	(895)
Application of grants to capital financing from the Capital Grants Unapplied Account	(75)	(128)
Statutory provision for the financing of capital investment charged against the General Fund balances	(517)	(553)
	(2,191)	**(2,837)**
Balance as at 31 March	**(18,283)**	**(18,070)**

28) Collection Fund Adjustment Account

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**1,378**	**(678)**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Surplus on collection fund payable in future years	(82)	151
- NDR	(1,974)	459
Balance at 31 March	**(678)**	**(68)**

29) Pension Reserve

	2016/17 £'000	2017/18 £'000
Balance as at 1 April	23,931	29,534
Actuarial (gains) or losses on pensions assets and liabilities	4,980	(2,135)
Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the Comprehensive Income and Expenditure Statement	1,905	2,693
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,282)	(1,358)
Reversal of accrual for Pension termination costs	0	0
Balance as at 31 March	**29,534**	**28,734**

30) Accumulated Absence Account

	2016/17 £'000	2017/18 £'000
Balance at 1 April	60	66
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Change in Absence Liability	6	(3)
Balance at 31 March	**66**	**63**

31) Cash Flow Statement – Operating Activities

	2016/17 £'000	2017/18 £'000
Interest received	99	103
Interest paid	(75)	(75)
	24	**28**

32) Cash Flow Statement – Investing Activities

	2016/17 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(847)	(1,892)
Purchase of short-term and long-term investments	(6,378)	0
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	87	332
Proceeds from short-term and long-term investments	0	67
Other receipts from investing activities	0	0
Net cash flows from investing activities	**(7,138)**	**(1,493)**

33) Cash Flow Statement – Financing Activities

	2016/17 £'000	2017/18 £'000
Cash receipts of short and long-term borrowing	(10)	(10)
Other receipts from financing activities	3,967	3,299
Repayments of short and long-term borrowing	0	0
Other payments for financing activities	0	0
Net cash flows from financing activities	**3,957**	**3,289**

34) Discontinued Operations

There were no operations discontinued during the current or previous year.

35) Trading Operations – Market Hall, St Mary's Place, Market Harborough

	2016/17 (re-stated) £000	2017/18 £000
Income from Stallholders:		
- rents and charges	(362)	(355)
Expenditure	427	440
(Surplus) / Deficit	**65**	**85**

The Council provides a market facility operating from a market hall building and the market square. The market is open 6 days per week, Tuesday to Sunday, and is home to up to 75 businesses on any trading day.

36) Members Allowances

Members of the Council received payments amounting to £318k during the financial year, compared with £293k in 2016/17.

	2016/17 £'000	2017/18 £'000
Allowances	272	282
Expenses	21	36
	293	**318**

37) Remuneration of Senior Officers

In accordance with Schedule 1 of the Accounts and Audit Regulations 2015 the Council is required to disclose the number of officers whose remuneration in the year amounted to £50,000 or more, starting at that level and rising in bands of £5,000. For this purpose, remuneration is deemed to be the total of all sums paid to or receivable by an officer, sums due by way of expense allowances, and the monetary value of benefits received other than in cash. Pension contributions payable by either the employee or the Council are excluded. The following tables both include senior officers of the Council.

Remuneration Band	2016/17 No.	2017/18 No.
£50,000 to £54,999	4	4
£55,000 to £59,999	3	2
£60,000 to £64,999	0	1
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £85,999	0	0
£85,000 to £89,999	0	0
£90,000 to £94,999	2	2
£95,000 to £99,999	0	0
£100,000 to £104,999	0	0

The remuneration of Senior Officers whose salary was more than £50,000 in 2017/18 is as follows:

Post Holder		Salary, Fees and Allowances £	Expense Allowances £	Pension Contributions £	Total £	Note £
Corporate Director	2017/18	91,083	1,594	24,598	117,275	
	2016/17	90,236	1,712	23,371	115,319	
Corporate Director	2017/18	91,083	1,568	24,598	117,249	
	2016/17	90,236	963	23,420	114,619	
Shared Head of Legal and Democratic Services	2017/18	57,820	2,505	15,606	75,931	
	2016/17	57,248	1,204	14,827	73,279	A
Head of Communities(pro-rata)	2017/18	42,511	1,071	11,474	55,056	
	2016/17	40,250	979	10,437	51,666	
Head of Finance & Corporate Services and Section	2017/18	57,820	1,687	15,606	75,113	
151 Officer	2016/17	57,248	1,226	14,827	73,301	
Head of Planning and Regeneration	2017/18	57,820	1,105	15,606	74,531	
	2016/17	57,263	1,170	14,827	73,260	
Total	2017/18	398,137	9,530	107,488	515,155	
Total	2016/17	392,481	7,254	101,709	501,444	

No amounts included in the above table are outside the Council's policies in respect of Salary, Benefits, Expenses, Redundancy or Pensions.

Notes

A For the shared Head of Legal and Democratic Services post, part reimbursement is received from the partner Council (Melton Borough Council).

38) External Audit Cost

Harborough District Council incurred the following fees relating to external audit and inspection:

	2016/17 £'000	2017/18 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	42	42
Fees payable for the certification of grant claims and returns by the appointed auditor	16	14
	58	**56**

The appointed auditor during 2017/18 was KPMG LLP.

39) Grant Income and Other Contributions

a) In 2017/18, Harborough District Council received the following grants and contributions.

	2016/17 £'000	2017/18 £'000
Credited to Taxation and Non-Specific Grant Income		
NNDR Baseline	(1,621)	(1,653)
NNDR Income	(2,431)	(461)
Small Business Rate Relief Section 31 Grant	(570)	(982)
Revenue Support Grant	(785)	(300)
New Homes Bonus	(2,985)	(2,686)
Other DCLG	(148)	(260)
Other Capital Grant and contributions	(528)	(179)
	(9,068)	(6,521)
Credited to Services		
Rent Allowance Subsidy	(11,097)	(9,996)
Housing Benefit Admin Grant	(203)	(176)
NNDR Cost of Collection	(127)	(127)
Other DCLG	(173)	(225)
DWP	(128)	(139)
Leicestershire County Council	(105)	(96)
Other Specific grants	(75)	(41)
Disabled Facilities / Lightbulb Project	(199)	(426)
Other REFCUS	(398)	(466)
	(12,505)	(11,692)

b) The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	31/03/2017 £'000	31/03/2018 £'000
S.106 Developer Contributions	(1,715)	(1,600)
Other Capital Grant	(253)	(253)
Other Capital Contribution	(38)	(38)
	(2,006)	(1,891)

40) 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.

a) ***Central Government*** has effective control 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. housing benefits). See note 39 Grant Income for further information.

b) ***Other public bodies*** –

	Expense £'000	Income £'000	Balance Outstanding £'000
Blaby District Council Off Street Parking Enforcement	0	(51)	(14)
Blaby District Council - Other cost/ Income	22	(44)	(32)
Cambridge County Council - Internal Audit Service	56	0	0
Hinckley & Bosworth BC - Revs & Bens Partnership	940	(652)	(201)
Hinckley ICT Support	40	0	0
Blaby Council- Building Control Service	86	0	59
Leicester City Council - Provision of Payroll Services	13	0	3
Leicestershire City Council Building Control Service	6	0	0
Leicestershire County Council Parking Enforcement	56	(304)	0
Leicestershire County Council Recycling	0	(507)	(246)
Leicestershire County Council Lift and Roof Contribution	0	(65)	0
Leicestershire County Council Lightbulb Social Care	24	0	0
Blaby District Council Lighbulb Social Care	126	0	126
Leicestershire County Council Service	137	(291)	(73)
Leicestershire County Council Trade Waste	331	0	84
Leicestershire County Council Local Resilience Partnership	26	0	0
North West Leicestershire Strategic Joint Planning Contribution	31	0	0
North West Leicestershire other costs/income	0	(34)	(6)
Oadby & Wigston Borough Council Off Street Parking Enforcement	14	(34)	(9)
Rugby Borough Council - Enforcement Service	17	0	0
Melton BC Off Street Parking Enforcement	0	(59)	(15)
Melton BC Shared Legal Service	0	(100)	(26)
Melton BC Other Income	0	(118)	(23)
Charnwood BC Contact Centre Services	398	0	13
Oadby and Wigston other income/costs	0	(64)	(64)
Total	**2,323**	**(2,323)**	**(424)**

c) ***Members of the Council*** have direct control over the Council's financial and operating policies. All contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests which is open to public inspection. The Council's elected members act as trustees to the H.W. Symington Memorial Charity. No remuneration is received by members in respect of their roles as trustees although travel and subsistence costs may be reclaimed as necessary. See note 36 for Member Allowance details. During 2017/18 there were no significant payments to or receipts from parties in which Members had an interest.

d) ***Officers of the Council*** reported no related party transactions.

41) Capital Expenditure and Sources of Finance

The table below shows capital expenditure in the year on an accruals basis together with details of how that expenditure has been financed. The table also demonstrates the movement in the Capital Financing Requirement (underlying need to borrow) during the year.

	2016/17 £'000	2017/18 £'000
Opening Capital Financing Requirement	6,082	5,925
Capital Expenditure:		
Operational Assets	847	1,891
Revenue Expenditure Funded from Capital Under Statute	829	962
Sources of Finance:		
Capital Receipts	(439)	(1,177)
Government Grants & Other Contributions	(654)	(1,022)
Sums set aside from Revenue (including MRP)	(740)	(637)
Closing Capital Financing Requirement	5,925	5,942
Movement in Year	(157)	17
Explanation of Movements in Year:		
Increase in underlying need to borrow (supported by Government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(157)	17
Increase/(Decrease) in Capital Financing Requirement	(157)	17

42) Termination Benefits

Termination Benefits Band	2017/18 No.
£0 to £20,000	3
£20,000 to £40,000	-

In 2017/18 the Authority terminated 3 contracts with a total value of £7k.

In 2016/17 the Authority terminated a single contract. Due to this being a single contract with a value of less than £20,000 and therefore not material no further disclosure has been made.

43) Local Government Pension Scheme

a) Participation in the Pension Scheme

Harborough District Council offers retirement benefits to its staff as part of their terms and conditions of employment. Though these benefits are not payable until employees reach retirement, the Council is committed to making the payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit pension scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets. In addition the Council has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme, the estimated outstanding liability for which was £1.142m at 31 March 2018 (£1.179m at 31 March 2017).

b) Transactions Relating to Retirement Benefits

The cost of retirement benefits is accounted for in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance for the year. The following transactions have been made in the Comprehensive Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2016/17 **£'000**	**2017/18** **£'000**	**2016/17** **£'000**	**2017/18** **£'000**
Service Cost				
Current Service Cost	1,071	1,919		
Past Service Cost (including curtailments)	0	0	0	0
Total Service Cost	**1,071**	**1,919**	**0**	**0**
Financing & Investment				
Interest income on scheme assets	(1,324)	(1,179)		
Interest cost on defined benefit obligation	2,121	1,922	37	31
Total net interest	**797**	**743**	**37**	**31**
Total Post Employment Benefits charged to the surplus or deficit on the provision of services Remeasurements if the Net Defined Liability comprising:	**1,868**	**2,662**	**37**	**31**
Return on plan assets excluding amounts included in net interest	**6,551**	**856**		
Actuarial losses arising from changes in demographic assumptions	**784**	**0**		
Actuarial losses arising from changes in financial assumptions	**(13,279)**	**1,291**		
Other	**964**	**(12)**		
Total remeasurements recognised in other comprehensive income	**(4,980)**	**2,135**	**0**	**0**
Total Post Employment benefits charged to the Comprehensive Income & Expenditure Statement.	**(3,112)**	**4,797**	**37**	**31**
Movement in Reserves Statement:				
Reversal of net charges made to the surplus on provision of services	(1,868)	(2,662)	(37)	(31)
Employers' contributions payable to the scheme	1,207	1,284		
Retirement benefits payable to pensioners			75	74

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2018 a loss of £22.232m and at 31 March 2017 was a loss of £24.367m.

The Actuary has projected the total Pension Expense for the year to 31 March 2019 at £1.418m.

c) Assets & Liabilities in Relation to Retirement Benefits

The updated underlying assets and liabilities for retirement benefits attributable to Harborough District Council at 31 March are set out in the table below.

	31 March 2017 £'000	**31 March 2018 £'000**
Fair value of employer assets	45,516	47,253
Present value of funded liabilities	(73,871)	(74,845)
Present value of unfunded liabilities	(1,179)	(1,142)
Net Pensions Liability	**(29,534)**	**(28,734)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability of £28.734m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions to the scheme over the remaining working life of employees, in the light of the performance of the fund as assessed by the scheme actuary.

A reconciliation of present value of scheme liabilities is calculated as follows:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Opening fair value of scheme liabilities at 1 April	**60,930**	**73,871**	**1,076**	**1,179**
Current Service Cost	1,071	1,919		
Interest Cost	2,121	1,922	37	31
Contributions by Members	315	320		
Remeasurement gain				
Actuarial losses arising from changes in demographic assumptions	(784)	0		
Actuarial losses arising from changes in financial assumptions	13,138	(1,297)	141	6
Other experience	(964)	12		
Losses / (Gains) on Curtailments	0	0		
Past Service Costs				
Estimated Unfunded benefits Paid			(75)	(74)
Benefits Paid	(1,956)	(1,902)		
Closing Balance at 31 March	**73,871**	**74,845**	**1,179**	**1,142**

The reconciliation of the movement in fair value of Scheme Assets
is shown below.

	2016/17 £'000	2017/18 £'000
Opening fair value of scheme assets at 1 April	**38,075**	**45,516**
Interest income on plan assets	1,324	1,179
Contributions from employees into the scheme	315	320
Contributions by the Employer	1,207	1,284
Remeasurement gain:		
Return on assets excluding amounts included in net interest	6,551	856
Benefits Paid	(1,956)	(1,902)
Closing fair value of scheme assets at 31 March	**45,516**	**47,253**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date and returns on equities reflect long term real rates of return in the respective markets.

Pension Scheme assets are comprised of:

	Period ended 31 March 2017				Period ended 31 March 2018			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
Asset category	**£'000**	**£'000**	**£'000**	**%**	**£'000**	**£'000**	**£'000**	**%**
Equity Securities:								
Other	1,175.9	-	1,175.9	3%	1,146.6	-	1,146.6	2%
Debt Securities:								
UK Government	3,919.8	-	3,919.8	9%	3,943.7	-	3,943.7	8%
Other	499.0	-	499.0	1%	431.4	-	431.4	1%
Private Equity:								
All	-	1,718.7	1,718.7	4%	-	1,680.3	1,680.3	4%
Real Estate:								
UK Property	-	3,657.3	3,657.3	8%	-	4,151.0	4,151.0	9%
Investment Funds and Unit Trusts:								
Equities	21,799.9	-	21,799.9	48%	22,260.1	-	22,260.1	47%
Bonds	1,585.6	2,495.8	4,081.4	9%	1,516.8	3,907.4	5,424.2	11%
Hedge Funds	1,519.2	8.9	1,528.1	3%	1,598.8	48.5	1,647.3	3%
Commodities	-	1,072.4	1,072.4	2%	-	1,107.0	1,107.0	2%
Infrastucture	-	2,037.4	2,037.4	4%	-	2,235.1	2,235.1	5%
Other	1,140.2	-	1,140.2	3%	1,398.2	-	1,398.2	3%
Derivatives								
Interest Rate	(21.0)		(21.0)	0%	-		0.0	0%
Foreign Exchange	-				(137.7)		(137.7)	0%
Cash and Cash Equivalents:								
All	2,906.9	-	2,906.9	6%	1,965.8	-	1,965.8	4%
	34,525.5	**10,990.5**	**45,516.0**	**100%**	**34,123.7**	**13,129.3**	**47,253.0**	**100%**

d) Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. This assessment has been undertaken by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2016.

The main assumptions used in their calculations are:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions				
Longevity at 65 for current pensioners				
Men	22.1	22.1	22.1	22.1
Women	24.3	24.3	24.3	24.3
Longevity at 65 for future pensioners				
Men	23.8	23.8		
Women	26.2	26.2		
Economic assumptions				
Rate of inflation	2.40%	2.40%	2.40%	2.40%
Rate of increase in salaries	3.40%	3.40%		
Rate of increase in pensions	2.40%	2.40%	2.40%	2.40%
Rate for discounting scheme liabilities	2.60%	2.70%	2.60%	2.70%
Take-up of option to convert annual pension into retirement grant	50.00%	50.00%		

Mortality assumptions are derived from the PFA92 and PMA92 life expectancy tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised above:

Under the projected unit method current service costs will increase for any scheme where the age profile of the active membership is significantly rising, as the members of the scheme approach retirement age. This is not currently the case in this Authority.

Change in assumptions at 31 March 2018:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount rate	10%	7,504
0.5% increase in the Salary Increase Rate	2%	1,225
0.5% increase in the Pension Increase Rate	8%	6,166

Further information can be found in Leicestershire County Council's Pension Fund Annual Report, which is available on request from Leicestershire County Council, Glenfield, Leicester.

44) Contingent Liabilities

There are the following contingent liabilities:

a) Municipal Mutual Insurance Limited (MMI)

Municipal Mutual Insurance (MMI) is an insurance company limited by guarantee and not having a share capital, which was established by a group of local authorities and incorporated under the Companies Acts 1862 to 1900 on 13 March 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement.

In September 1992 MMI ceased to write new, or to renew, general insurance business.

The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered.

A levy notice was issued based on 25% of the value of total claims carried forward exceeding £50,000 to 31 March 2018. This was a total of £6,919, which has all been paid in previous years.

The Scheme Administrators will continue to review on an annual basis and may incur costs in the future.

45) The Nature and Extent of Risk Arising from Financial Instruments

a) Key Risks

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

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

b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice 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 Code of Practice;

- by approving annually in advance prudential 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 the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

  These are required to be reported and approved at or before the Council's annual Council Tax setting budget. 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 annually to Members.

  These policies are implemented by the Finance Services team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

c) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies 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 the Council's deposits, but there was no evidence at 31 March 2018 that this was likely to crystallise.

The Council allows 14 days credit for its customers, such that the amount of £828k (2016/17 £1,080k) is past its due date for payment. The past due amount can be analysed by age as follows:

	2016/17 £'000	2017/18 £'000
Less than one year	668	504
Between one and two years	2	16
Between two and three years	1	0
More than three years	409	308
	1,080	**828**

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

d) Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 through cash flow management procedures required by the Code of Practice.

e) Refinancing and Maturity Risk

The approved prudential 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.

The maturity analysis of financial liabilities is as follows:

	2016/17 £'000s	2017/18 £'000s
Less than one year	0	0
Between one and two years	0	21
Between two and seven years	31	22
Between seven and 15 years	22	0
More than fifteen years	1,468	1,468
	1,521	1,511

The maturity analysis of financial assets is as follows:

	2016/17 £'000s	2017/18 £'000s
Less than one year	23,077	23,018
Between one and two years	0	0
Between two and three years	0	0
More than three years	0	0
	23,077	23,018

All trade and other payables are due to be paid in less than one year and trade debtors of £0.73m (2016/17 £1.63m) are not shown in the table above.

f) Market risk

i) Interest rate risk - The Council has limited exposure to interest rate movements on its borrowings and investments.
Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other CIES 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 effect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance Services team will monitor market and forecast interest rates within the year to adjust exposures appropriately.
If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(287)
Impact on Income and Expenditure Account	(287)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at amortised Cost

ii) **Price risk** - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

iii) **Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

46) Trust Funds

The Council acts as administrator and trustee for various trust funds. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

The Council also administers several smaller trust funds, mainly in the form of investments, which total £2k.

Howard Watson Symington Memorial Charity Fund

This is the largest trust for which the Council is responsible, and was created when the Council vacated Brooklands in Northampton Road, Market Harborough. Brooklands was donated to the Council in 1946 by W.Symington & Co. Ltd. for the benefit of the people of the former Market Harborough Urban District Council, and is one of the assets of the Charity. On 27 February 2014 Brooklands, was sold by the Charity to Seven Locks Housing.

The Charity was the legal owner of the sheltered housing flats at Brooklands Gardens, and associated assets which were built in 1987 on land owned by the Charity. They were managed on the Charity's behalf by Seven Locks Housing, until 20 February 2013, when Brooklands Gardens were sold to Seven Locks Housing by the Charity.

Harborough District Council is the sole corporate trustee of the Charity. The Council set up the Howard Watson Symington Memorial Charity Area Committee which was delegated responsibility for the administration of the Charity and the application of the income in accordance with the charity scheme, and, as such, allocate funding to projects and/ or individuals that meet the criteria set out in the objects of the Charity.

The Council no longer administers the Charity's funds as the local authority. The Charity's funds were administered by the Area Committee through its own bank account. On 1 December 2014 the Executive removed the delegation of the administration of the Charity from the Area Committee and carried out the function itself. The Council ceased to be the sole trustee on 16 October 2017 and the funds were transferred to the new Trustees on 27th October 2017.

For further details see the Annual Report and Accounts of the H.W.Symington Memorial Charity, available on the Charity Commission's web-site.

47) Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure statement the code requires a separate note to provide information.

Expenditure	**2016/17** £'000s	**2017/18** £'000s
Housing Services - Rent Allowances	11,605	10,399

48) Leicester and Leicestershire Business Rates Pool

The Local Government Finance Act 2012 introduced the business rates retention system from 1 April 2013. The new arrangements enable local authorities to retain a proportion of the business rates generated in their area. Billing authorities collect rates on behalf of Central Government (50%), Major Preceptors – Leicestershire County Council (9%) and the Leicestershire Fire and Rescue Service (LFRS) (1%) – and themselves (40%).

The Government calculated two "baselines" for each local authority – a funding baseline and a rates baseline. Where the funding baseline is higher than the rates baseline (as is the case for Leicestershire) the authority requires a "top-up" and is not subject to a levy on any business rates growth. Where an authority's rates baseline is higher than its funding baseline, the authority is in a "tariff" position and will contribute to a central fund which is redistributed to "top-up" authorities. This is the case for Harborough District Council.

"Tariff" authorities are subject to a levy on any real terms growth in business rates at a maximum rate of 50%. In non-Pooled areas the tariff is payable to the Government and will be used to fund "safety net" payments to authorities which have seen significant reductions in business rates income. The safety net is currently activated if retained rates fall below 92.5% of the funding baseline for the authority.

Authorities were invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity.

Leicestershire County Council along with Leicester City Council, the LFRS and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2017/18, the Leicester and Leicestershire Pool (LLP). Leicestershire County Council was the lead authority for the LLP. The Pool was in a net top-up position, meaning that it could not be subject to a levy to the Government; a safety net position was technically feasible but given the scale of loss that would have to be suffered was unlikely to arise.

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

The Pool surplus at the end of 2017/18 has been retained by the Pool and will be distributed in agreement with the LLEP Agreement

The Accounts include a creditor for a levy due to the pool of £721k. Harborough District Council is able to retain our share of growth of £721k, this is included as income on the CIES. This has then been set aside in an earmarked reserve to provide future funding for the authority.

49) Post Balance Sheet Events

None at the point of adopting the accounts on 25 July 2018.

50) Date of Authorisation

The Statement of Accounts was authorised for issue by S Riley, Section 151 Officer on 25 May 2018, and revised on 25 July 2018 after due consideration of any post balance sheet events.

COLLECTION FUND

2016/17 £'000 Council Tax	2016/17 £'000 NNDR	2016/17 £'000 Total		2017/18 £'000 Council Tax	2017/18 £'000 NNDR	2017/18 £'000 Total	Note
			Income				
(53,236)	0	(53,236)	Income from Council Taxpayers	(56,119)	0	(56,119)	2
		0	Transfer from General Fund:			0	
0	(39,805)	(39,805)	Income from Business Ratepayers	0	(41,758)	(41,758)	3
(53,236)	**(39,805)**	**(93,041)**	**Total Income**	**(56,119)**	**(41,758)**	**(97,877)**	
			Expenditure				
51,638	0	51,638	Precepts and Demands from County and District	54,662	0	54,662	4
			Business Rates				
0	0	0	- Payment to National Pool	0	0	0	
0	18,824	18,824	- Payment to Government for Central Share	0	19,857	19,857	
0	3,765	3,765	- Payment to Preceptors	0	3,971	3,971	
0	15,080	15,080	- Payment to Harborough District Council	0	15,885	15,885	
0	127	127	- Costs of Collection	0	127	127	
			Bad and Doubtful Debts/Appeals				
(22)	1	(21)	- Provisions	28	(30)	(2)	
141	65	206	- Write offs	77	142	219	
0	(609)	(609)	- Provision for Appeals	0	4,261	4,261	
830	(2,331)	(1,501)	Distribution of previous year's estimated Collection Fund Surplus	2,528	(1,443)	1,085	5
52,587	**34,922**	**87,509**	**Total Expenditure**	**57,295**	**42,770**	**100,065**	
(1,801)	**4,027**	**2,226**	**Collection Fund Balance at 1 April**	**(2,450)**	**(856)**	**(3,306)**	
(649)	**(4,883)**	**(5,532)**	**(Surplus)/Deficit for the year**	**1,176**	**1,012**	**2,188**	
(2,450)	**(856)**	**(3,306)**	**Collection Fund Balance at 31 March**	**(1,274)**	**156**	**(1,118)**	

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund shows the transactions of the billing authority in terms of Council Tax and Business Rates, and demonstrates how the income from these sources is distributed to precepting authorities and the General Fund. The surplus or deficit on the Collection Fund at the year end is distributed to, or made good by contributions from, the billing and precepting authorities on the basis of estimates of such outturn made on the 15 January preceding.

2. Council Tax Income and the Council Tax Base

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. Individual charges are determined by dividing the demands and precepts of the Council, the County Council, the Police and Crime Commissioner and the Fire Authority by the Council Tax base. The Council Tax base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The Band D Council Tax for 2017/18 was £1,632.56 (£1,574.94 in 2016/17). The charge for all other bands is calculated by multiplying the Band D charge by the appropriate ratio for each band.

Income from Council Taxpayers in 2017/18 was £56.1m

The Council Tax Base used for setting the 2017/18 Council Tax was calculated as follows:

	Dwellings in Banding List	Net effect of premiums and discounts	Adjusted Amount for Council Tax Band	Proportion of Band D Tax	Equivalent Band D Dwellings (to one decimal place)
AR	0	0.0	0.0	5/9	0.0
A	4,376	(2,475.6)	1,900.4	6/9	1,900.4
B	8,272	(3,196.9)	5,075.1	7/9	5,075.1
C	7,617	(1,811.9)	5,805.1	8/9	5,805.1
D	6,107	(561.2)	5,545.8	1	5,545.8
E	5,901	854.9	6,755.9	11/9	6,755.9
F	3,354	1,249.5	4,603.5	13/9	4,603.5
G	2,451	1,445.4	3,896.4	15/9	3,896.4
H	226	184.4	410.4	18/9	410.4
Irrecoverable allowance					(509.9)
Tax Base for the Calculation of Council Tax					**33,482.7**

* - adjustments include Disabled Persons Exemptions, Exempt Properties and Discounts.

3. Business Rate Income

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due

The business rates shares payable for 2017/18 were estimated before the start of the financial year as £19.857m to Central Government, £3.971m to the Preceptors and £15.885m to Harborough District Council. These sums have been paid in 2017/18 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each 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 due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Harborough District Council pays a tariff to the value of £12.742m.

The total income from business rate payers collected in 2017/18 was £41.8 m (£39.8m in 2016/17).

The rate multiplier set by the Government for 2017/18 was 47.9p or 46.6p for small businesses (in 2016/17 was 49.7p or 48.4p for small businesses).

The total rateable value as at 31 March 2018 was £105,260,601 the equivalent at 31 March 2017 being £91,340,313.

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

	2016/17 £'000	2017/18 £'000
Harborough District Council	6,634	7,035
Leicestershire County Council	36,965	39,254
Leicestershire Police and Crime Commissioner	6,019	6,269
Leicestershire, Leicester & Rutland Fire Authority	2,020	2,104
	51,638	**54,662**

5. Collection Fund Surpluses – Council Tax

The precepts above are shown net of the contribution towards previous years estimated surpluses, which comprise the following:

	2016/17 £'000	2017/18 £'000
Harborough District Council	108	325
Leicestershire County Council	591	1,809
Leicestershire Police and Crime Commissioner	98	295
Leicestershire, Leicester & Rutland Fire Authority	33	99
	830	**2,528**

6. Collection Fund Balances

The balance carried forward on the Collection Fund at 31 March 2018 comprises a Council Tax surplus of £1,274k (£2,450k surplus at 31 March 2017). Any surplus or deficit relating to Council Tax must be shared between the Council and the major precepting authorities in proportion to the value of the precepts or demands which they each levy.

The share owed to major precepting authorities at 31 March 2018 is £1,110,396 and this appears as a creditor on the balance sheet (£2,135,618 as at 31 March 2017). The Council's own share of the Council Tax surplus, £163,994 is shown in the net worth section of the balance sheet (£314,803 surplus at 31 March 2017).

Included in the Collection Fund for 2017/18 is an amount of £4,261k (£609k 2016/17) related to a provision for appeals for NNDR. The council has accounted for our share of this provision, which cumulatively amounts to £3,750k (£2,046k 2016/17). The remainder relates to preceptors' shares.

GLOSSARY OF TERMS

ACCRUALS
The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

ACQUIRED OPERATIONS
Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. 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:

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

AUC
Assets Under Construction – these are assets that are not yet available for use, for example a building that is in the process of being built and not yet able to be occupied.

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.

CASH EQUIVALENTS
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

COMMUNITY ASSETS
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

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

CONTINGENCY
A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

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 COSTS (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:

- termination of an employees' services earlier than expected, for example as the result of closing a factory or discontinuing a segment of a business, and;
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all of the future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits.

DEFINED BENEFIT SCHEME
A pension or retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investment of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay. The employer will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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:

- 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 date on which the financial statements are approved.
- the activities related to the operation have ceased permanently.
- 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 from either 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.
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all of the above conditions are classified as continuing.

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) Regulations (Scotland) 1998; or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EVENTS AFTER THE BALANCE SHEET DATE
Those events, whether favourable or unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorized for issue.

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 LEASE
A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the start 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.

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

GOVERNMENT GRANTS
Assistance by the Government and inter-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
A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

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.

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
The amount of unused or unconsumed stock held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises, Inventories comprise the following categories:-

- Goods or assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances; and
- Finished goods.

INVESTED RIGHTS
In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

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

INVESTMENTS (NON-PENSIONS FUND)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor’s ability to dispose of the investment.
Investments other than those relating to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)
The investments of the pensions fund will be accounted for in the statements of that Fund. However, authorities (other than town parish councils, community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

INVESTMENT PROPERTIES
Interest in land and/or buildings:-

- in respect of which construction work and development have been completed; and

- which is held for its investment potential, any rental income being negotiated at arm's length.

LIQUID RESOURCES
Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

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 combination of assets or services which together constitute a single project), where the time taken 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 long-term contracts if they are sufficiently material to the activity of the period.

NET BOOK VALUE
The amount at which fixed assets are included within the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NON-DISTRIBUTED COSTS
These are overheads for which no user now benefits, and should not be apportioned to services.

NON-OPERATIONAL ASSETS
Fixed assets held by a local authority but not used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES
A lease other than a finance lease.

OPERATIONAL ASSETS
Fixed assets that are held and occupied, used or consumed by the local authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

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.

PRIOR YEAR ADJUSTMENTS
Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROJECTED UNIT METHOD
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. the 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
- 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 GN26 issued by the Faculty and Institute of Actuaries.

PROPERTY, PLANT & EQUIPMENT (PPE)

Property, Plant and Equipment (used to be Tangible Fixed Assets) that yield benefits to the local authority and the services it provides for a period of more than one year.

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.

RESEARCH AND DEVELOPMENT
Expenditure falling into one or more of the following broad categories:

- Pure (or Basic) Research:- experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or applications;
- Applied research:- original or critical investigations undertaken in order to gain new scientific or technical knowledge directed towards a specific practical aim or objective;
- Development:- use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

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:

- An employer’s decision to terminate an employee’s employment before the normal retirement date; or
- An employee’s decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets.

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.

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

USEFUL LIFE

The period over which the local authority will derive benefits from the use of a fixed asset.

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

Opinion

We have audited the financial statements of Harborough District Council ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund and the related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Head of Finance and Corporate Services is responsible for the other information published with the financial statements, including the Narrative Report and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Head of Finance and Corporate Service's responsibilities

As explained more fully in the statement set out on page 20, the Head of Finance and Corporate Services is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Harborough District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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.

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. 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.

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 in November 2017, as to whether Harborough District 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 Harborough District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made 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;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of Harborough District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Tony Crawley

Tony Crawley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
31 Park Row
Nottingham
NG1 6FQ

31 July 2018