NorthWest
LEICESTERSHIRE
DISTRICT COUNCIL
at the heart of the National Forest

Meeting	**AUDIT AND GOVERNANCE COMMITTEE**
Time/Day/Date	6.30 pm on Wednesday, 24 September 2014
Location	Council Chamber, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

All persons present are reminded that the meeting may be recorded and by attending this meeting you are giving your consent to being filmed and your image being used. You are kindly requested to make it known to the Chairman if you intend to film or record this meeting.

The Monitoring Officer would like to remind members that when they are considering whether the following items are exempt information under the relevant paragraph under part 1 of Schedule 12A of the Local Government Act 1972 they must have regard to the public interest test. This means that members must consider, for each item, whether the public interest in maintaining the exemption from disclosure outweighs the public interest in making the item available to the public.

AGENDA

Item		Pages
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATIONS OF INTEREST**	
	Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary.	
3.	**MINUTES**	
	To confirm and sign the minutes of the meeting held on 25 June 2014	**3 - 8**
4.	**ANNUAL GOVERNANCE STATEMENT 2013-14**	
	Report of the Head of Finance	**9 - 18**
5.	**ANNUAL STATEMENT OF ACCOUNTS 2013/14**	
	Report of the Head of Finance	**19 - 102**

6.	**REPORT TO THOSE CHARGED WITH GOVERNANCE 2013/14**	
	Report of the Head of Finance	**103 - 132**
7.	**INTERNAL AUDIT PROGRESS REPORT - AUGUST 2014**	
	Report of the Senior Auditor	**133 - 146**
8.	**TREASURY MANAGEMENT STEWARDSHIP REPORT 2013/14**	
	Report of Head of Finance	**147 - 152**
9.	**TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2014**	
	Report of the Head of Finance	**153 - 160**
10.	**RISK MANAGEMENT STRATEGY**	
	Report of Head of Finance	**161 - 174**
11.	**STANDARDS AND ETHICS - QUARTER 1 REPORT**	
	Report of the Head of Legal and Support Services and Monitoring Officer	**175 - 184**
12.	**COMMITTEE WORK PLAN**	
	To note the Committee's Work Plan	**185 - 186**

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 25 JUNE 2014

Present: Councillor T Neilson (Chairman)

Councillors A Bridges, J Cotterill, D De Lacy, D Everitt, D Howe, G Jones, A C Saffell and N Smith

In Attendance: Councillors

Officers: Mr R Bowmer, Mrs M Meredith, Miss E Warhurst and Miss A Wright

External Audit:

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor C Large.

2. DECLARATIONS OF INTEREST

There were no interests declared.

3. MINUTES

Consideration was given to the minutes of the meeting held on 26 March 2014.

It was moved by Councillor N Smith, seconded by Councillor J Cotterill and

RESOLVED THAT:

The minutes of the meeting held on 26 March 2014 be approved as a correct record and signed by the Chairman.

4. PROTECTING THE PUBLIC PURSE FRAUD BRIEFING 2013

Ms S Brown, External Auditor, gave a presentation to Members. She stated that the purpose of the briefing was to make Members aware of their roles and responsibilities in respect of fraud and to clarify what actions were being taken by management to detect and prevent fraud. She advised that the Audit Commission completed a report on a regular basis and this was available on the internet. She referred to the summaries provided which provided the national and local picture and explained how these could be interpreted.

In response to a question from Councillor N Smith, the Head of Finance advised that Members could report any suspected cases of fraud to the Senior Auditor or the Monitoring Officer.

Councillor N Smith referred to a specific case he was aware of locally in respect of housing benefit fraud. The Head of Finance advised that there were slightly different arrangements in place as the Revenues and Benefits service was provided by the Leicestershire Partnership. He invited Councillor N Smith to provide him with the information which he would refer on an investigate.

In response to questions from Councillors N Smith and G Jones, the Head of Finance explained that internal fraud consisted of various types of fraud, which could include petty theft. He advised that the incidents referred to in the presentation related to recruitment issues which had been resolved prior to appointment by HR, and as such the incidents had no value associated with them.

Councillor G Jones asked if it would be useful for Ward Members to know how much was being paid in benefits in their ward to identify an increase in claims. The Head of Finance advised that it was not possible to provide detailled information and it was not within the remit of Members to make such enquiries in their Wards. He added that general information could be provided, however there may be a resource implication.

Councillor D Howe asked if the increase in social housing fraud was due to the bedroom tax. Ms S Brown responded that she would not expect that this would relate specifically to bedroom tax, and was more likely related to cases of benefit fraud. She added that there could be an impact but felt a particular link could not be demonstrated. The Head of Finance advised that the figures in the report were for the financial year 2012/13 and therefore prior to the underoccupancy reductions.

Councillor D Everitt referred to the graphs showing detection rates for housing benefit fraud and Council Tax discount fraud. He asked if housing benefit was being concentrated upon at the expense of Council Tax discount fraud, as there had been no cases detected. The Head of Finance explained that the largest Council Tax discount available was single person discount. He advised that everyone receiving this discount had been written to last year and validation checks had been made. He reported that the write out had been quite successful and had identified potential savings of £197,000. He added that as the District Council only retained a percentage of the Council Tax collected, this represented a saving of £29,000. He advised that these cases had not been classified as fraud and no prosecutions were made, however the write out had ensured that people were paying the correct amount. He added that the classification had perhaps been generous.

Councillor D De Lacy commented that he did not see the use of the suggestions of identifying benefits claimed by area, as this would simply show that deprived areas were claiming more. He added that this could have a detrimental effect. He commented that the graphs could be interpreted in two ways as illustrated by the previous point made.

Ms S Brown responded that contextually the graphs could be interpreted in many different ways and were intended to help Members understand the full picture. She added that having specific details was also helpful.

Councillor T Neilson advised Members that statistics on benefits claims were available on the internet.

5. STANDARDS AND ETHICS - QUARTER 4 REPORT

The Head of Legal and Support Services presented the report to Members, highlighting that no complaints had been received in quarter four.

Councillor N Smith commented that this was good news.

Councillor T Neilson highlighted that the number of corporate complaints received had decreased from the previous year.

Councillor D De Lacy referred to the ethical indicators and in particular SE6. He asked why there had been such a significant increase in recommendations and why 8 of these had not been implemented. He requested an update on the status of those recommendations that had not been implemented.

The Senior Auditor referred Members to the progress report which gave details on the outstanding recommendations.

Councillor D De Lacy commented that there had been a significant increase in corporate complaints and asked if there was any detectable reason for this.

The Head of Legal and Support Services responded that she understood this was related to works to council properties. She agreed to send further information to Councillor D De Lacy after the meeting.

It was moved by Councillor T Neilson, seconded by Councillor A Bridges and

RESOLVED THAT:

The report be received and noted.

6. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Senior Auditor presented the report to Members, drawing their attention to the method that had been used in completing the review.

Councillor D De Lacy asked why the results of the assessment had not been available in March with the recommendations. He expressed concerns regarding the partial conformance with the standards in competence and proficiency, due professional care and professional development. He commented that staff seemed to need help and questioned whether internal audit were getting the support they needed. He accepted that the standards perhaps aimed high and commented that a partial score could mean anything between 10 and 90% compliance. He expressed concerns that the service was only 40% compliant with the national standards. He questioned whether the issue of resources needed to be addressed as the self assessment appeared to be damning.

The Head of Finance explained that new standards had been introduced in the last year and the bar had really been raised from the standards under CIPFA. He acknowledged that an action plan was needed in order to undertake an external assessment, which was not a requirement for 5 years, however the decision had been taken to complete this in March 2015. It was recognised that this was a small authority with limited resources and therefore he stressed the importance of setting realistic expectations. He added that there would be choices to be made by management and stated that feedback would be welcomed from Members in terms of what standards they wanted to see. He commented that the Council’s performance was not too far abreast from other local authorities. He added that he was satisfied plans were in place. He advised Members that the Council also provided an audit service to Blaby District Council and they were more than happy to renew their contract. He stated that he would bring updates to the Committee on the action plan.

Councillor A C Saffell asked whether the internal auditor was the best person to look at all the issues listed as some of them were complex. He felt that external advice ought to be sought on computer security for example and that there were areas where specialist knowledge was required.

The Senior Auditor advised that specialist auditors were utilised where required, and confirmed that this was the case in respect of computer security.

7. INTERNAL AUDIT ANNUAL REPORT 2013/14

The Senior Auditor presented the report to Members, drawing their attention to the audits completed to date in the current year.

8. Councillor N Smith commented that this seemed to be a report of two halves. He asked whether the outstanding issues would be resolved and in what timeframe.

The Senior Auditor referred Members to the list of recommendations, many of which were in progress or had been implemented. She advised that if a recommendation had been implemented, the issue had been resolved, and if it was in progress, she was confident that it would be resolved within the timescale.

Councillor D De Lacy questioned whether adequate assurance was enough and whether this suggested that resources were not adequate and staff were not correctly trained.

Councillor T Neilson commented that substantial assurance should be aimed for.

The Head of Finance stated that this was a changing picture and audits were undertaken at a certain point in time. He added that the audit requirements changed from one year to the next and as such, the information was not always comparable. He stated that the best possible compliance was aimed for, and if assurance was adequate, he was in a position to sign off the accounts. He acknowledged that there was always room for improvement, but that the Council provided a good audit service, and honest and open information. He added that external organisations had confidence in the service and the external audit opinion had been quite flattering in the last two years. He stated that he did not feel compelled at this time to request further resources, and there was no argument that internal audit were being deprived of resources.

Councillor T Neilson commented that there were areas showing improvements, such as debtors, licensing and treasury management.

It was moved by Councillor A C Saffell, seconded by Councillor N Smith and

RESOLVED THAT:

The report be noted.

8. INTERNAL AUDIT PROGRESS REPORT - MAY 2014

The Senior Auditor presented the report to Members, highlighting the additional management comments requested at the previous meeting.

Councillor D De Lacy welcomed the alteration to the report and felt that the additional management comments were useful. He commented that he could see the problems highlighted in the assessment were being addressed. He felt that items 16-18 on the action plan should have been assigned a higher priority as these issues seemed fundamental.

The Senior Auditor advised that the ordering of the action plan was due to the required timing of some items.

It was moved by Councillor G Jones, seconded by Councillor A Bridges and

RESOLVED THAT:

The report be noted.

9. COMMITTEE WORK PLAN

RESOLVED THAT:

The report be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.24 pm

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 24 SEPTEMBER 2014

Title of report	**ANNUAL GOVERNANCE STATEMENT 2013-14**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	To present the Annual Governance Statement 2013-14 for consideration and approval.
Reason for Decision	To ensure that members of the Committee have considered the Council's governance during 2013-14 and agreed the report.
Council Priorities	Value For Money
Implications:	
Financial/Staff	Not Applicable
Link to relevant CAT	Could impact on all CATs.
Risk Management	Failure to produce an accurate and comprehensive AGS could result in adverse comment from the External Auditor and failure to comply with current guidance.
Equalities Impact Assessment	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None
Background papers	None

Recommendations	**THAT THIS COMMITTEE APPROVES THE ANNUAL GOVERNANCE STATEMENT (AS ATTACHED TO THIS REPORT)**

1.0 BACKGROUND

1.1 An Annual Governance Statement (AGS) is a requisite part of the annual review of corporate governance and is usually published alongside the statement of accounts. It is good practice to consider the AGS in its own right.

1.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have issued joint guidance on corporate governance. This requires the AGS to go beyond just considering the internal control environment, and to look at wider arrangements supporting a sound corporate governance framework

1.3 The CIPFA/SOLACE guidance outlines six core principles for good governance, with a number of supporting principles. These are:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of any scrutiny functions
- Ensuring that a constructive working relationship exists between the authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- Ensuring that organisational values are put into practice and are effective

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny

- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place
- Using their legal powers to the full benefit of the citizens and communities in their area

Developing the capacity and capability of members and officers to be effective

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal

Engaging with local people and other stakeholders to ensure robust public accountability

- Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning
- Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

2.0 THE ANNUAL GOVERNANCE STATEMENT

2.1 The Annual Governance Statement which has been prepared in accordance with the appropriate guidance is no longer included in the statement of accounts but is still subject to audit and requires final approval from this Committee.

2.2 The Council's governance framework is summarised in Section 3 of the AGS, and was in place throughout 2013-14. This committee plays a key role in overseeing the operation of the framework, including:

- approving the annual Internal Audit plan,
- receiving quarterly updates on the work of Internal Audit,
- receiving the annual Internal Audit report,
- receiving reports from the external auditors.

2.3 This ongoing work of the committee culminates in the consideration of the Annual Governance Statement.

2.4 Section 4 of the AGS summarises the review process that has been undertaken to review the effectiveness of the Council's Governance Statement, and the sources of evidence that have been considered as part of the review. The committee's role is to determine whether they consider that the review has been rigorous and thorough.

2.5 Section 5 of the AGS sets out any significant issues which have arisen from the review of effectiveness, and proposals for addressing them. The committee should ensure that any issues arising include any matters they have become aware of from their ongoing work during the year, and that they are satisfied that appropriate corrective actions are proposed.

2.6 If required the AGS has to include a section on any relevant significant post balance sheet events which may occur up until the signing of the final statement of accounts. There are no post balance sheet events to consider

2.7 The Council's external auditors, KPMG, have reviewed the AGS and confirmed that it complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with any other information they are aware of from their audit of the financial statements.

2.8 After this Committee gives its approval to the AGS it will be signed by the Leader of the Council and the Chief Executive.

ANNUAL GOVERNANCE STATEMENT 2013/14

1. Background and Scope of Responsibility

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

1.2 In discharging the overall responsibility the Council is responsible for putting into place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’. A copy of the Code is available on our website at:

http://www.nwleics.gov.uk/pages/corporate_policies

or can be obtained from the Council Offices, Coalville.

1.4 This Statement explains how the Council has complied with the code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

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

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

2.3 The governance framework has been in place for the year ended 31 March 2014, and up to the date of the approval of the annual report and accounts.

3. The Governance Framework

3.1 The Council's code adopts six core principles as the basis for its corporate governance arrangements which are set out below. The key elements of the Council's systems and processes that comprise the Authority's governance arrangements are set out below for each of the six core principles as follows.

(i) **Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.**

- At the heart of the Council's strategic planning process is the Council Delivery Plan (CDP) and annual Team Business Plans and financial plans. The Council's CDP has been developed in line with the Council's strategic aims and was updated and adopted by Council on 18 June 2013 for the 2013/14 year.
- A Vision has been developed as follows: 'North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home'
- The Council's performance management arrangements are strong and include the Service Planning process which integrates service and financial planning across all of the Council's aims and objectives to better align activities, improvements and resources. A set of clear and consistent Team Business Plans was developed for 2013/14 and monitored throughout the year by management on a monthly basis and reported to Cabinet quarterly using a traffic light system to facilitate robust member challenge. Profiled financial monitoring reports which also project the outturn are reviewed by all budget holders soon after the month end, enabling managers to respond to issues in a timely way.
- This model enables any service failure to be identified early and addressed through a project plan and corrective action approved where necessary.

(ii) **Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

- The Council's Constitution clearly sets out the functions and roles of Members and Officers. The Constitution is continually reviewed by the Monitoring Officer and reported to members at regular intervals, following appropriate Scrutiny.
- The Constitution sets out the responsibility for all the Council's functions, including Council, Executive and Non-executive roles and a scheme of delegation to staff and Proper Officer designations. These provisions make the specific responsibilities of the Leader, Chief Executive, Section 151 Officer and Monitoring Officer (MO) clear.
- There are robust codes and protocols, including codes of conduct for both Members and Officers, a protocol on Member/Officer relations, outline roles and responsibilities for Councillors. A Local Code of Conduct was adopted in

June 2012 as required by the Localism Act 2011 which also included an informal disputes resolution process.

(iii) **Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

- Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. Accordingly, the Council has a Planning Code of Conduct, Licensing Code of Conduct and Citizens' Rights are set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance, the last review being completed in June 2013 as part of the annual update of the Council's Constitution.
- The Constitution contains a section on the "Principles of Decision Making", and non-compliance is a ground for "call-in".
- During 2013/14 the Audit & Governance Committee had a pro-active work programme and each meeting of the Committee received a report from the Monitoring Officer on current issues. A quarterly performance monitoring report including ethical indicators was also produced.
- The Council has robust arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality). The Officer Register of Gifts and Hospitality received its six monthly checks by the Monitoring Officer at the same time she checked the Member Register.
- The Head of Paid Service, Section 151 Officer and Monitoring Officer meet regularly at the Statutory Officers' Group. Their work includes monitoring compliance with standards of conduct across the Council, including both Officers and Members. There is an in-house, LEXCEL accredited, legal team.
- Parish liaison meetings are held at least twice a year. The MO also provided training to a number of parish councils on the 2012 Local Code of Conduct.
- The Council's Whistle Blowing Policy includes Members, contractors, suppliers and service providers and people working in partnership with the Council (e.g. volunteers). All reports received under the policy are investigated thoroughly.

(iv) **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

- The Policy Development Group acts as the Council's Scrutiny function.
- The Council maintains an Executive Decision Notice of key decisions to maximise transparency and consultation. The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale, etc. Reasons for all decisions must be given and these are recorded in the minutes.
- The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias.
- The Audit & Governance Committee undertook the functions of an audit committee as identified by CIPFA Guidance. It received reports and

presentations from the External Auditor and is independent of Cabinet. Unlike the previous Audit and Standards Committee there were no independent persons on it but it has been chaired by an opposition member to date.

- The Council has a customer feedback complaints system and this information is used to improve service delivery and customer satisfaction.
- The Council has a Risk Management Strategy and maintains and reviews its strategic risk register on a quarterly basis. The risks identified have been linked to Council priorities/strategic aims and lead officers have been identified to manage each risk.
- As part of the Council's Corporate Project Management Framework, all major projects have their own risk log and all reports going to Members include the risk implications associated with the decision Members are being asked to make.
- Partnership working is identified as a strategic risk and covers the Council's key strategic partnerships, e.g. LSP, Community Safety Partnership, Local Resilience Forum.
- Risk Management also forms a key element of the Council's Delivery Plan and the Service Planning process and Risk Management is an integral part of the Council's performance management arrangements.
- The Council is committed to the effective use of IT and has an ICT strategy and IT Security Policy which were reviewed during 2013/14.
- The Council's 2013/14 Treasury Management Strategy was agreed in March 2013, and risks are fully evaluated as part of this strategy.

(v) **Developing the capacity and capability of members and officers to be effective.**

- The Council's "BEE Valued" programme includes rigorous recruitment & selection, performance management and staff development processes. Workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.
- A comprehensive induction programme exists for both Members and Officers which has been developed to deal with all relevant core issues.
- The Council is committed to creating an environment where elected Members' skills can develop and thrive with regular courses being delivered.
- An annual development review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.

(vi) **Engaging with the local people and other stakeholders to ensure robust public accountability.**

- Our Communications Strategy sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to staff and members of the public, such as the weekly NWL News and the Chief Executive's road shows for staff and increased use of the internet and Social Media for the public.

- The Council's scrutiny arrangements are designed to ensure that key elements were externally focussed and involve all sections of the community and stakeholders as relevant.
- The Council has adopted a consultation framework which involves staff at all levels and their Trade Union Representatives and Officials.
- The Council publishes on its web site monthly details of expenditure over £500 as well as details of major contracts and senior salaries, responsibilities etc.

4. Review of Effectiveness

4.1 The Council has responsibility for conducting at least annually, a review of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers and directors within the Council who have responsibility for the development and maintenance of the internal control environment, the Internal Audit Annual Report, the work of the Audit & Governance Committee plus the comments of external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- The full Council through its overall responsibility for the Annual Budget and Policy Framework;
- The Cabinet, which has responsibility for all executive functions and for making recommendations to Council within the Budget and Policy Framework. Its remit is clearly set out in the Constitution and it plays a major role in reviewing key aspects of overall service delivery, including monitoring its effectiveness and related governance issues;
- The Audit & Governance Committee which meets the external auditor to discuss findings in the Annual Audit Management Letter and reports and was responsible for ensuring that the Council's systems for internal control were sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these; ensuring continued probity and good governance of the Council's operations.
- The Council's statutory officers who consist of the Head of Paid Service (the Chief Executive), the Monitoring Officer (Head of Legal & Support Services) and S.151 Officer (Head of Finance) fulfil the statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) as set out in the application note to Delivering Good Governance in Local Government: Framework.
- The Internal Audit service is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual rolling work plan which is reviewed each quarter by the Audit and

Governance Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Head of Service. The report includes recommendations for improvements that are included within an action plan and require agreement by service managers. The action plan was monitored on a quarterly basis by the Audit & Governance Committee. The Internal Audit Annual report considered by the Audit and Governance Committee on 25 June 2014 confirmed that the Council's overall internal control arrangements provided adequate assurance during 2013/14.

- The Risk Management Strategy was updated and approved by Cabinet on 29 July 2014 and all reports to Council, Cabinet and Committees have a risk management section.
- Assurance statements have been signed by Heads of Service to ensure that there are adequate internal controls and governance arrangements in their areas of responsibility and to provide an opportunity to inform improvement action planning requirements.

4.2 The Annual Governance Statement 2013/14 was considered by the Audit and Governance Committee on 24 September 2014. We plan to address any weaknesses or issues raised to ensure continuous improvement of the systems and governance processes.

5. Significant Governance Issues

5.1 There are no significant governance issues which need to be brought to the attention of the public or Councillors.

6. Post Balance Sheet Events

6.1 None have been identified.

Signed:

________________________	____________________________
Richard Blunt	Christine Fisher
Leader of the Council	Chief Executive
Date:_________________________	Date:_______________________

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE – 24 SEPTEMBER 2014

Title of report	**ANNUAL STATEMENT OF ACCOUNTS 2013/14**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance / Section 151 Officer 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	For the Committee to consider and approve the Annual Statement of Accounts for 2013-14.
Reason for Decision	To comply with the Accounts and Audit Regulations
Council Priorities	Value for Money
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Assessment Human Rights Transformational Government	 No direct implications. None The presentation of audited accounts giving a true and fair view assists in maintaining the council's financial standing and reputation. No impact. None identified. No direct implications.
Consultees	External Auditors (KPMG)
Background papers	Working papers held in the Financial Planning section.
Recommendations	**(A) THAT THE COMMITTE APPROVES THE ANNUAL STATEMENT OF ACCOUNTS** **(B) THAT THE CHAIRMAN OF THE MEETING IS AUTHORISED TO SIGN THE ACCOUNTS AS APPROVED** **(C) TO DELEGATE AUTHORITY TO THE COMMITTEE CHAIRMAN AND SECTION 151 OFFICER TO APPROVE ANY MINOR NON MATERIAL AMENDMENTS, AS AGREED WITH THE AUDITOR, TO THE ACCOUNTS ON BEHALF OF THE COMMITTEE**

1.0 BACKGROUND

1.1 The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom (the ‘Code’). This must be followed to meet the requirements of the Accounts and Audit Regulations to ‘present a true and fair view’ of the financial position of the authority.

1.2 The Code is based on International Financial Reporting Standards (‘IFRS’), amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains:

- Explanatory Forward – this sets out the main points on Revenue and Capital.
- Statement of Responsibilities – shows the responsibilities of the Council and Chief Financial Officer for these accounts.
- Accounting Policies – technical explanation of main policies and assumptions used in preparing the accounts.
- Movement in Reserves Statement – shows the movement in reserves during the year between usable and unusable reserves, and the actual change to the reserves after all adjustments.
- Comprehensive Income & Expenditure Account (I&E) – costs of all functions and how they were financed
- Balance Sheet – shows all the Council’s assets and liabilities at the year end, both long and short term.
- Cash Flow Statement – sets out the flow of cash into and out of the Council.
- Notes to the Financial Statements – these explain in more detail the make up of the various amounts included in the above items.
- HRA (Housing Revenue Account) Income & Expenditure Account – this shows income and expenditure regarding Council dwellings.
- Collection Fund – sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known.
- Special Expenses Accounts – summarises spending in the special expenses areas of the district with details of how this is paid for.
- Auditor’s Report – this is the report of the external auditors, the Audit Commission, on the accounts for the year.

1.3 The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority’s finances. In addition, in order to ensure that the Council is making the best use of its resources Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated and any queries answered.

1.4 Basic questions answered by the accounts should be:

- What did the authority’s services cost in the year of account?
- Where did the money come from?
- What were the authority’s assets and liabilities at the year-end?

1.5 The Statement must comply with the Code so that comparisons can be made across different authorities and for this reason it is essential that authorities define individual costs in line with the Service Reporting Code of Practice (SERCOP). There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

1.6 This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts are explained below and a Glossary of Terms is shown on page 74 of the Accounts.

2.0 MAIN CHANGES TO ACCOUNTS

2.1 It is anticipated that the Statement of Accounts attached will be the final version without further changes being presented to the Committee for approval.

3.0 OTHER SECTIONS OF THE ACCOUNTS

3.1 The Statement of Responsibilities on page 7 underlines the responsibility, conferred by law, on the Section 151 Officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.

3.2 The Income & Expenditure Account on page 21, and the Notes on pages 24 to 64, is one of the core documents in the Statement and reports the net cost for the year of all the functions of the Council and how these were financed. There are three distinct sections of this account.

3.3 The first section on page 21 shows the costs of the authority's continuing operations, net of specific grants and income from fees and charges. This section combines the Housing Revenue Account with the General Fund activities and therefore represents information that is not shown elsewhere in the Council's financial reporting. This provides the Surplus in the Net Cost of Services of £3.86m.

3.4 The next section provides information on the income and expenditure relating to the council as a whole, i.e. these cannot be allocated to specific services, and shows how the Council's net expenditure was financed externally through Council Tax and General Government Grants and displays the gross Surplus on Provision of Services of £10.49m. Any gains and losses are then adjusted underneath this to give a Total Income & Expenditure Surplus of £5.79m. How this amount affects the council's reserves is then explained in the Movement in Reserves Statement on page 20.

3.5 The Balance Sheet (page 22 and corresponding notes on pages 24 to 64) is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.

3.6 The Assets and Liabilities include:

- Fixed Assets – As stated above these were revalued in 2013/14 and 'Tangible' fixed assets are recorded in the Balance Sheet using the principles set out on pages 15 to 17.
- Intangible Fixed Assets – this comprises computer software and ancillary costs.
- A list of movements in assets is shown in Note 9 on page 32.
- Long Term Debtors - represent mortgage loans owed to the Council from Right-to-Buy sales.
- Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.

- Other Long Term Liabilities is mainly the Pensions Liability of £43.38m – this large sum is calculated each year based on various parameters in accordance with IAS 19 and represents the difference in the scheme's assets compared to its liabilities. This is offset by a Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to eradicate any deficit over a period of 20 years.

3.7 Financing of the Assets less Liability is through various reserves and balances. This is more complicated in a local authority because there are no shareholder funds, or proprietor's funds, as one would have in a commercial enterprise. These reserves are explained in the Movement In Reserves Statement on page 20. The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.

3.8 The Consolidated Cash Flow Statement (Page 23 and corresponding notes on pages 24 to 64) shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.

3.9 The Housing Revenue Account (Pages 65 and 66, and notes on pages 67 to 69) is a 'ring fenced' account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation.

3.10 The Collection Fund *(Pages 70 and 71*) is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to North West Leicestershire District Council. The account represents a quasi 'trust' account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors.

3.11 The National Non-Domestic Rates are collected on behalf of the Government and precepting authorities as well as the District. The amount the District is due is estimated at the start of the year but changes to the business rates base including revaluations and appeals, affect the year end position.

3.12 The Independent Auditors' Report will be explained by the external auditors.

North West Leicestershire District Council

www.nwleics.gov.uk

Annual Statement of Accounts 2013 - 2014

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EXPLANATORY FOREWORD

1 Introduction

The following pages summarise the financial activities of North West Leicestershire District Council for 2013/14

The Council's Accounts have been produced in accordance with the Code of Practice on Local Authority Accounting 2013/14 and the service reporting code of practice 2013/14,supported by the International Financial Reporting Standars (IFRS). Explanatory notes to the accounts have been included to give further information where appropriate. The layout of the accounts follows the recommendations of the Code.

For 2013/14 the accounts consist of these 'core' Financial Statements:

- Comprehensive Income & Expenditure Account which shows income and expenditure of all main services. This also includes the Statement of Total Recognised Gains & Losses which shows all gains and losses of the Council for the year and the aggregate change in its net worth.

- The Balance Sheet which sets out the overall financial position of the council at 31 March 2014 showing its assets, liabilities and reserves.

- Cash Flow Statement which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties.

- Movement In Reserves Statement which shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (ie those that cannot be used to fund expenditure).

- Notes to the Core Financial statements which provide explanations of key figures within the statement.

Other financial statements:

- The Housing Revenue Account (HRA) Income & Expenditure Account and Statement of Movement on the HRA balance – details income and expenditure on HRA services included in the whole Council Income & Expenditure Account and the latter reconciles the surplus for the year to the movement on the HRA balance.

- The Collection Fund Income and Expenditure Account – this fulfils the Council's statutory requirement as a billing authority to maintain a separate Collection Fund showing transactions for Council Tax and Non-domestic Rates and how these have been distributed to precepting authorities and the General Fund.

- The Special Expenses Account – showing income and expenditure in those areas of the district where special expenses are levied.

2 Changes to the Statement of Accounts introduced in the 2013 Code

The 2013 Code has introduced some change ,mainly relating to accounting of business rates retention and Post-employment benefits. The Council has prepared its Statement of Accounts based on International Financial Reporting Standards (IFRS).

3 Financial Summary 2013/14

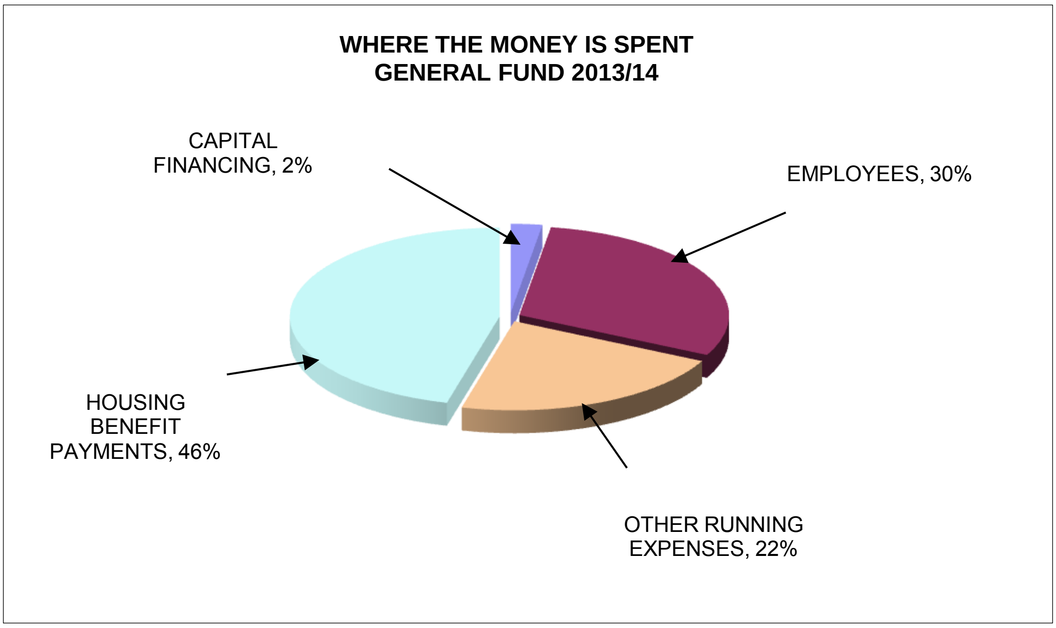
a) Revenue – General Fund

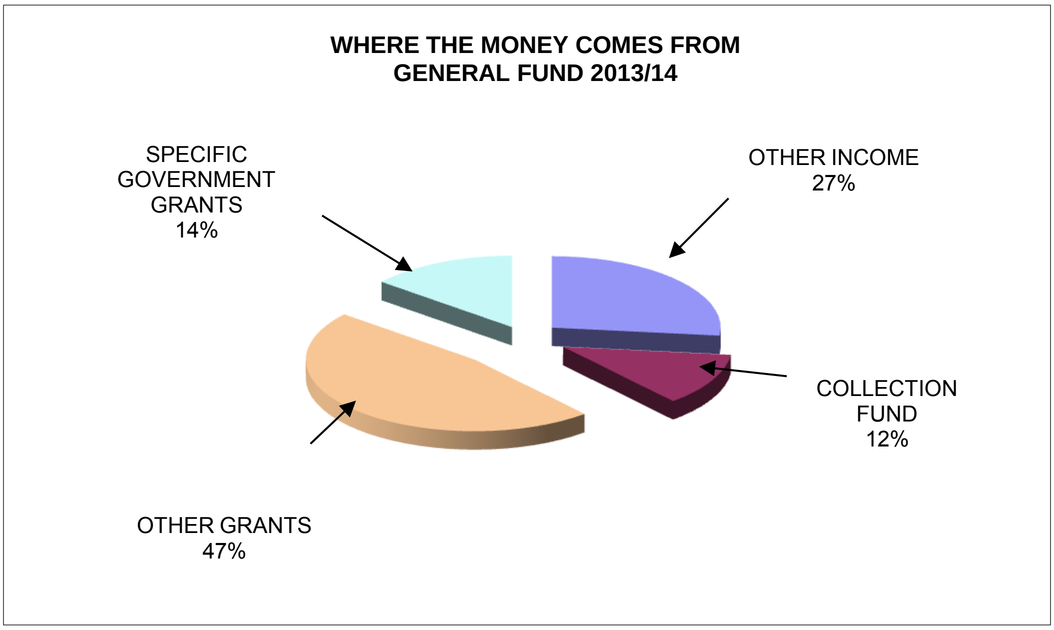
The General Fund summarises expenditure on the Council's main services which are paid for, in part by Council Tax. A summary of General Fund spending is set out below.

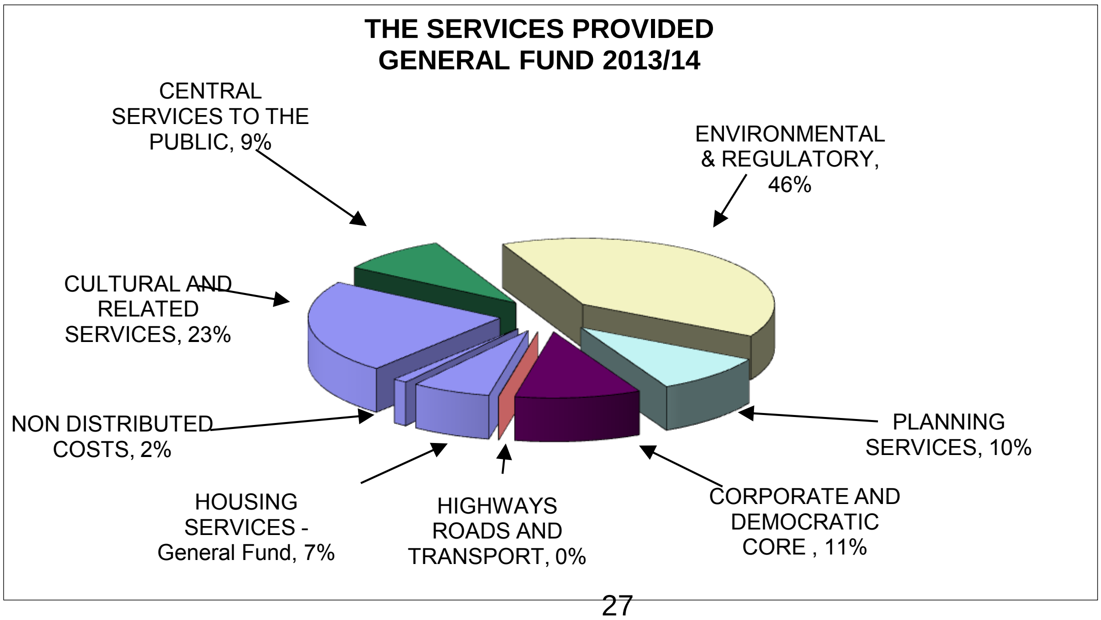
		Original Budget	Actual	Variance
District		£000's	£000's	£000's
Net Expenditure on Services		**10,433**	**8,718**	**(1,715)**
Funded by:-				
Collection Fund Precept		4,526	4,525	**(1)**
Government Grants:	RSG	3,056	3,096	**40**
	NNDR	1,943	2,147	**204**
	Council Tax Freeze Grant	56	56	**0**
	New Homes Bonus	923	941	**18**
	Other Grants	20	40	**20**
		10,524	**10,805**	**281**
Balance for year - added to/(taken from) General Fund Reserves		0	2,087	**2,087**
Underspends /Transferred to Value for Money Reserve		92	92	**0**
Balance brought forward		1,046	1,046	0
Balance carried forward		**1,046**	**3,133**	**2,087**
Specials				
Net Expenditure on Services		**674**	**635**	**(39)**
Funded by:-				
Special Expenses Precept		574	574	**0**
Government Grants:	RSG	60	60	**0**
	NNDR	40	40	**0**
		674	**674**	**0**
Balance for year - added to/(taken from) Special Expenses Reserves		0	39	**39**
Balance brought forward		82	82	0
Balance carried forward		**82**	**121**	**39**

Sound budgetary control allowed the Council to manage spending within available resources and a number of 'earmarked reserves' have been created to carry unspent money forward. These 'earmarked reserves' are shown in the Balance Sheet (see note 5, page 29). Working balances of £3,132,667 (District) and £121,233 (Special Expenses) were also carried forward.

The money is spent on employees (30%), capital financing (2%), housing & council tax benefit payments (46%) and other running expenses (22%). It is paid for by specific government grants (14%), other grants (47%), income from the Collection Fund – business rates and council tax (12%) and income from fees and charges and other contributions (27%). The services provided are Environmental & Regulatory (46%), Cultural and Related Services (26%), Planning Services (-4%), Central Services to the Public (10%), Corporate & Democratic Core (12%), Housing Services (8%), Non-Distributed (2%) and Highways, Transport and Roads (0%). The diagrams on the next page summarise this:


WHERE THE MONEY IS SPENT
GENERAL FUND 2013/14
CAPITAL FINANCING, 2%
EMPLOYEES, 30%
HOUSING BENEFIT PAYMENTS, 46%
OTHER RUNNING EXPENSES, 22%


WHERE THE MONEY COMES FROM
GENERAL FUND 2013/14
SPECIFIC GOVERNMENT GRANTS 14%
OTHER INCOME 27%
COLLECTION FUND 12%
OTHER GRANTS 47%


THE SERVICES PROVIDED
GENERAL FUND 2013/14
CENTRAL SERVICES TO THE PUBLIC, 9%
ENVIRONMENTAL & REGULATORY, 46%
CULTURAL AND RELATED SERVICES, 23%
NON DISTRIBUTED COSTS, 2%
PLANNING SERVICES, 10%
HOUSING SERVICES - General Fund, 7%
HIGHWAYS ROADS AND TRANSPORT, 0%
CORPORATE AND DEMOCRATIC CORE , 11%

b) Revenue – Housing Revenue Account (HRA)

The Housing Revenue Account summarises income and expenditure relating to the rented housing accommodation provided by the Council. The HRA had an operating surplus of £ 1,509,000. This is summarised below:

	Original Budget	**Actual**	**Variance**
	£000's	£000's	£000's
Net Expenditure on Services	12,215	20,434	**8,219**
Capital Financing - Self Financing Loans	3,257	3,257	**0**
Total Expenditure	**15,472**	**23,691**	**8,219**
Funded by:-			
Rent Income	16,157	15,859	**298**
Other	789	9,341	**(8,552)**
	16,946	**25,200**	**(8,254)**
Net Operating Expenditure	**(1,474)**	**(1,509)**	**(35)**
Balance b/f	3,759	3,759	0
Funding of net operating expenditure	1,474	1,509	35
Balance carried forward	**5,233**	**5,268**	**35**

The Government's housing subsidy system ceased on 31st March 2012. The new 'self-financing regime' commenced by the Council taking on debt from the government of nearly £78m financed by loans. The cost of these loans are shown in the table. In return the Council is now able to keep its rental income as there is no payment to the National Housing Subsidy Pool. Other income includes a grant of £8.5m from the Homes and Communities Agency towards the cost of Housing Decent Homes backlog works. This compares to a similar grant of £3.69m received in 2012/13.

c) Capital

The Council spent £15.902m on capital schemes in 2013/14. The main area of spending relates to improvements to Council houses. A summary is set out below:

	£'000	%
HOUSING		
Improvements & Modernisations	14,227	89.5%
Housing Improvement Grants	314	2.0%
OTHER SERVICES		
Parks & Recreation Grounds	73	0.5%
IT & Software	401	2.5%
Transport Account Vehicles	721	4.5%
Leisure Services	130	0.8%
Council Offices - Car Park	36	0.2%
	15,902	**100.0%**

The capital spending was paid for as follows:

CAPITAL EXPENDITURE	£'000	%
FINANCED:		
Unsupported Borrowing	1,065	6.70
Revenue	417	2.62
Contribution/Other	740	4.65
Grants	8,729	54.89
Major Repairs Allowance (Housing)	4,951	31.14
	15,902	**100.00**

The Council's capital spending and financing was carried out in accordance with our Treasury Management Policy and Treasury Management Strategy Statement. At 31 March 2014 total external debt was £87,523,112 (excluding accrued interest), which was all long term borrowing. The Council has no money invested in Icelandic Banks.

The Council assets, which were valued at £170,661,000 as at 31 March 2013, were valued at £178,250,267 as at 31 March 2014.

4 a) 2013/14

The under spend in the year was achieved as a result of a determined policy of reducing costs wherever possible combined with:

- Salary Savings
- Reduced call on Contingency
- increased income mainly from planning income

b) The future

- Following the closure of the 2013/14 accounts the council is updating its Medium Term Financial Strategy. The Council continues to be mindful of planned reductions in Revenue Support Grant and its reliance on New Homes Bonus. Projected budget shortfalls will be met using a number of strategies through the planning for the future programme.

- The new Business Rates Retention Scheme which started in 2103/14 presents significant risks and opportunities and will require flexible financial planning in the future. Whilst the council has sound financial plans it continues to be exposed to external economic influences and the impact of the action of its funders and partners

5 **Preparation of Accounts**

I would like to thank all staff who have been involved in the preparation of these accounts in accordance with IFRS, which has been a challenging task. The skill and forbearance they have shown is greatly appreciated.

Ray Bowmer
Head of Finance and S151 Officer

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required: -

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

The Responsibilities of the Head of Finance

The Section 151 is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Finance has: -

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Head of Finance has also: -

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2014.

R Bowmer
Head of Finance & Section 151 Officer

Date

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3 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 specified period, no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4 EXCEPTIONAL ITEMS

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

5 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, ie 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 period.

6 EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Most employees of the Authority are members of the Local Government Scheme administered by Leicestershire County Council. This Scheme is accounted for as a defined benefits scheme:

The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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 assets of Leics. County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

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

The change in the net pensions liability is analysed into seven components:

- 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 arising from current year decisions 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;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return;
  credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- 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 – debited to the Pensions Reserve;
- contributions paid to the Leics County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

7 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.

8 FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities 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 are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

Financial Assets

Financial assets are classified into two types:
loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Available-for-Sale Assets
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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the year.

Available-for-Sale Reserve.
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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

9 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:
- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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 and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

10 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg 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 cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services. 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 line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

11 INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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

12 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 arm's-length. 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.

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

13 LEASES

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

14 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Sevice Reporting Code of Practice 2013/14 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

15 PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

Asset under Construction

Asset under Construction are recognised only when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably. Asset under Construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under construction are not depreciated until they are brought into use under the relevant sections of property, plant and equipment.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Impairment
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where 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(s) in the Comprehensive Income and Expenditure Statement.

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

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

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a 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.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (net of statutory deductions and allowances) is payable to the Government. The proprtion payable to the Government for Right to Buy dwelling disposals is calculated on an individual property basis in accordance with the enhanced Right to Buy scheme introduced in April 2012. Receipts for land and other assets are normally repayable at a rate of 50%, but can be reduced as a result of a Capital Allowance approved at Council Cabinet in September 2012 to finance a supplementary capital programme for affordable housing and regeneration purposes. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow). 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.

16 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

17 RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies [not Scotland]. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

18 REVENUE EXPENDITURE FUNDED UNDER STATUTE

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

19 VAT

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

20 HERITAGE ASSETS

The Authorities Heritage Assets should be shown in the Balance Sheet and are normally classified in four main categories -

- Ceramics, Pocelain Work and Figurines;
- Art Collection;
- Machinery, Equipment and Other Artefacts from the Pottery Industry;
- Archaeology.

The Authority does have some Civic Regalia but it falls under the de-minimus level to be classified as Heritage assets, the Authority also considers that reliable cost or valuation information cannot be obtained for Moira Furnace, this is due to the diverse nature of the Asset held and lack of comparable market values. Consequently the Authority does not recognise this asset on its Balance Sheet.

21 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The code of practice on Local Council Accounting in the United Kingdom 2014/15 (the code) has introduced several changes in accounting policies which will be required from 1st April 2014. If this had been adopted for the financial year 2013/14 there would be no material change to the Statement of Accounts

A number of new and revised standards have beein issued addressing the accounting for consolidation, investment and joint ventures and arrangements, financial insturments and presentation of financial statement These include -

- IFRS 10
- IFRS 11
- IFRS 12
- IFRS 27
- IAS 1
- IAS 27
- IAS 32

22 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

- depreciation attributable to the assets used by the relevant sector
- revaluation and impairment losses on assets used by the service where thereare no accumulated gains in the revaluation reserve against which the losses can be written off
- ammortisation of intangible assets attributable to the service

The Authority is not required to raise council tax to fund depreciation,revaulation and impairment losses on 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.
Depreciation,revaulation and impairment losses and ammortisation are therefore replaced by the contribution in the General Fund Balance,by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

23 OTHER MAJOR CHANGES IN 2013/14

The changes in this years accounts relate to accounting for business rates retention and post employment benefits

24 RE-STATEMENT OF PRIOR YEARS FIGURES

A prior period error has been identified on the calculation of depreciation of Council Housing. This has resulted in an over statement on both depreciation and revaluation. The following accounting adjustments have been undertaken in 2012/13 to correct this and are re-presented in the accounts:

Accounting Adjustment	**£ m**
Housing Revenue Account - Income and Expenditure	(0.740)
Housing Revenue Account - Movement to Reserves	0.740
Accumulated Depreciation Account	6.214
Council Housing - Fixed Asset Account	(6.214)
Capital Adjustment Account	(0.740)
Major Repairs Reserve	0.000
Revaluation Reserve	0.740
NET TOTAL EFFECT	**0.000**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the 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 charged to the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net Increase / Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repair Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 1 April 2012	**1,130**	**3,679**	**1,822**	**238**	**890**	**1,656**	**204**	**9,619**	**50,113**	**59,732**
Surplus or (deficit) on provision of services	(1,313)	0	4,724	0	0	0	0	**3,411**		**3,411**
Other Comprehensive Expenditure and Income								**0**	**(5,791)**	**(5,791)**
Total Comprehensive Expenditure and Income	(1,313)	0	4,724	0	0	0	0	3,411	**(5,791)**	**(2,380)**
Adjustments between accounting basis & funding basis under regulations (Note 4)	2,101		(1,952)	0	375	1,305	(26)	**1,803**	**(1,803)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**788**	**0**	**2,772**	**0**	**375**	**1,305**	**(26)**	**5,214**	**(7,594)**	**(2,380)**
Transfers to/from Earmarked Reserves	(791)	791	(834)	834	0	0	0	**0**	**0**	**0**
Increase/Decrease (movement) in Year	**(2)**	**791**	**1,938**	**834**	**375**	**1,305**	**(26)**	**5,214**	**(7,594)**	**(2,380)**
Balance as at 31st March 2013 carried forward	**1,128**	**4,470**	**3,760**	**1,072**	**1,265**	**2,961**	**178**	**14,833**	**42,519**	**57,352**
Balance as at 1 April 2013	**1,128**	**4,470**	**3,760**	**1,072**	**1,265**	**2,961**	**178**	**14,833**	**42,519**	**57,352**
<u>Movement in reserves during 2013/14</u>										
Surplus or (deficit) on provision of services	796		9,694					**10,490**		**10,490**
Other Comprehensive Expenditure and Income								**0**	**(4,701)**	**(4,701)**
Total Comprehensive Expenditure and Income	796	0	9,694	0	0	0	0	**10,490**	**(4,701)**	**5,789**
Adjustments between accounting basis & funding basis under regulations	1,422		(8,984)	0	1,430	(965)	784	**(6,313)**	**6,313**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	2,218	0	710	0	1,430	(965)	784	**4,177**	**1,612**	**5,789**
Transfers to/from Earmarked Reserves	(92)	92	799	(799)				**0**	**0**	**0**
Increase/Decrease in Year	2,126	92	1,509	(799)	1,430	(965)	784	**4,177**	**1,612**	**5,789**
Balance at 31 March 2014 carried forward	3,254	4,562	5,269	273	2,695	1,996	962	**19,010**	**44,131**	**63,141**

Comprehensive Income and Expenditure Statement

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

2012/13					2013/14		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		NOTES	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,938	(6,876)	1,062	Central Services to the Public		2,179	(1,255)	924
5,608	(3,079)	2,529	Cultural & Related Services		5,644	(3,310)	2,334
6,863	(2,546)	4,317	Environmental & Regulatory Services		6,706	(2,652)	4,054
2,177	(1,017)	1,160	Planning Services		2,244	(1,266)	978
745	(689)	56	Highways Roads and Transport		681	(683)	(2)
20,649	(19,864)	785	Housing Services - General Fund		20,394	(19,717)	677
12,045	(19,904)	(7,859)	Housing Services - HRA		11,092	(25,117)	(14,025)
1,017	0	1,017	Corporate & Democratic Core		1,078		1,078
80	0	80	Non Distributed Costs		120		120
57,122	**(53,975)**	**3,147**	**Cost of Services**		**50,138**	**(54,000)**	**(3,862)**
		2,123	Other Operating Expenditure	6			3,532
		3,823	Financing and Investment Income and Expenditure	7			3,748
		(12,507)	Taxation and Non-Specific Grant Income	8			(13,908)
		(3,414)	**(Surplus)/Deficit on Provision of Services**				**(10,490)**
		(177)	(Surplus)/Deficit on revaluation of non current assets				(2,035)
		0	(Surplus)/Deficit on revaluation of available for sale financial assets				0
		5,968	Actuarial gains/losses on pension assets/liabilities				6,736
		5,791	**Other Comprehensive Income and Expenditure**				**4,701**
		2,377	**Total Comprehensive Income and Expenditure**				**(5,789)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their us (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2013		NOTES	31 March 2014	
£'000			**£'000**	**£'000**
158,895	Property Plant & Equipment		168,444	
10,166	Investment Property	10	10,559	
477	Intangible Assets	11	590	
350	Assets Held For Sale	12	350	
1,092	Surplus Assets		824	
0	Long Term Investments		2,000	
12	Long Term Debtors		10	
170,992	**Long Term Assets**			**182,777**
0	Short Term Investments		2,000	
129	Inventories	13	135	
3,880	Short Term Debtors	14	4,627	
14,330	Cash and Cash Equivalents	15	16,858	
18,339	**Current Assets**			**23,620**
0	Short Term Borrowing		(2,009)	
(5,235)	Short Term Creditors	16	(8,622)	
0	Provisions	33	(1,499)	
	Current Liabilities			**(12,130)**
(89,586)	Long Term Borrowing		(86,235)	
(34,801)	Other Long Term Liabilities		(43,391)	
	Revenue Grants Receipt In Advance		(268)	
(2,356)	Capital Grants Receipt In Advance		(1,233)	
(126,743)	**Long Term Liabilities**			(131,127)
57,353	**Net Assets**			**63,140**
14,834	Usable Reserves		19,010	
42,519	Unusable Reserves	18	44,130	
57,353				**63,140**

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.

2012/13 £'000	Indirect Method	NOTES	2013/14 £'000
(3,414)	Net (surplus) or deficit on the provision of services		(10,490)
	Noncash Movements		
1,765	Depreciation		(2,146)
(8,535)	Impairment & downward valuations		(2,144)
(166)	Amortisations		(214)
(309)	Increase in impairment for provision for bad debts		(170)
120	(Increase)/decrease in creditors		(361)
667	Increase/(decrease) in debtors		813
15	(Increase)/decrease in stock		(6)
(969)	Pension liability		(1,899)
(523)	Carrying amount of non-current assets sold		(3,738)
(228)	Other non cash items charged to the net Surplus or Deficit on the Provision of Services		1,664
(8,163)	Adjust net surplus or deficit on the provision of services for noncash movements		(8,201)
737	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,042
(10,840)	Net Cash Flows from Operating Activities		(16,649)
4,771	Investing Activities	20	16,988
(685)	Financing Activities	21	(2,867)
(6,754)	Net increase or decrease in cash and cash equivalents		(2,528)
7,576	Cash and cash equivalents at the beginning of the reporting period		14,330
14,330	**Cash and cash equivalents at the end of the reporting period**	15	**16,858**

1. Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out on pages 8 to 18, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. No such critical judgements are have been deemed to be necessary for 2013/14.

2. 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 Authority 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 Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	£'000
Pension Liability/Reserve Account	43,381

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, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The Authority's actuaries provide an annual statement of the pension liabilities and assets. However, the assumptions interact in complex ways. During 2013/14, the Authority's actuaries advised that the net pensions liability had increased by £8.635m as a result of estimates being corrected.
Asset Life/Maintenance	Assets are depreciated over their useful lives as determined by the Authority's valuer.Property,plant and equipment are reviewed for both economic and price impairment on an annual basis. Any movement in either the assets useful life or the market value of the property willhave an impact on the Councils Valuation	If the useful life of assets is reduced,the depreciation increases and they carrying amount of assets falls. The depreciation charge for buildings would increase by an estimated £70k for every year useful life is reduced. If an asset is impaired the carrying amount of asset is reduced.

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

3. Events after the Balance Sheet Date.

There have been no major events to report after 31st March 2014.

4. Adjustments between Accounting Basis and Funding Basis under Regulations.

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2013/14	**Usable Reserves**					
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation and impairment of non current assets	1,408					(1,408)
Revaluation losses on Property Plant and Equipment	(493)	2,244				(1,751)
Movements in the market value of Investment Properties	(393)					393
Amortisation of intangible assets	164					(164)
Capital grants and contributions applied		(8,500)				8,500
Movement in the Donated Assets Account						
Revenue expenditure funded from capital under statute						0
Principal Repaid on Self Financing Loans		(987)				987
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		3,722				(3,722)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(617)					617
Capital expenditure charged against the General Fund and HRA balances	(248)	(776)				1,024
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(784)				784	
Application of grants to capital financing transferred to the Capital Adjustment Account						

2013/14 continued

	Usable Reserves					
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20)	(2,021)	2,041			
Use of the Capital Receipts Reserve to finance new capital expenditure			(10)			10
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		47	(47)			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	554		(554)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						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 Comprehensive Income and Expenditure Statement						0
Adjustment involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(2,806)		2,806		
Use of the Major Repairs Reserve to finance new capital expenditure				(3,771)		3,771
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(47)					47
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,422	474				(3,896)

2013/14 continued	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,615)	(382)				1,997
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	85					(85)
Adjustments involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						
Adjustments involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6	1				(7)
Total Adjustments	**1,422**	**(8,984)**	**1,430**	**(965)**	**784**	**6,313**

2012/13 comparative figures	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets	1,176	2,917				(4,093)
Revaluation losses on Property Plant and Equipment	0	5,473				(5,473)
Movements in the market value of Investment Properties	260					(260)
Amortisation of intangible assets	104					(104)

2012/13 comparative figures cont'd	Usable Reserves					
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
Capital grants and contributions applied		(3,163)				3,163
Movement in the Donated Assets Account	0					
Revenue expenditure funded from capital under statute						0
Principal Repaid on Self Financing Loans		(965)				965
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,231				(1,231)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(608)					608
Capital expenditure charged against the General Fund and HRA balances	(81)	(24)				105
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	26				(26)	
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(737)	737			
Use of the Capital Receipts Reserve to finance new capital expenditure						0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		19	(19)			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	344		(344)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			1			(1)

2012/13 comparative figures cont'd	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustment involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(6,729)		6,729		
Use of the Major Repairs Reserve to finance new capital expenditure				(5,424)		5,424
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(52)					52
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	963	7				(970)
Employer's pensions contributions and direct payments to pensioners payable in the year						
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(21)					21
Adjustments involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						0
	2,111	(1,971)	375	1,305	(26)	(1,794)

2012/13 comparative figures cont'd	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)	19				(9)
Total Adjustments	**2,101**	**(1,952)**	**375**	**1,305**	**(26)**	**(1,803)**

5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans into the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

	Balance at 31/3/2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31/3/2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31/3/2014 £'000
General Fund:							
General reserves	809	(548)	419	**680**	(208)	488	**960**
Value for Money reserve *	1,632	(31)	916	**2,517**	(190)	92	**2,419**
Coalville Project	33	20	0	**53**	0	0	**53**
Housing & Planning Delivery Grant	63	(33)	0	**30**	(19)	0	**11**
Regeneration	20	(20)	0	**0**	0	0	**0**
Leisure Strategy/Project Grants	102	(7)	2	**97**	(2)	10	**105**
Ivanhoe Sink Fund	122	0	4	**126**	0	12	**138**
Hermitage Rec Grd Mtce Fund	21	0	0	**21**	0	0	**21**
Asset Protection Fund	297	(54)	59	**302**	(137)	59	**224**
Industrial Units Maint Fund	12	(9)	4	**7**	5	8	**20**
Whitwick Business Centre	332	0	51	**383**	(20)	6	**369**
Capital Reserve	198	(3)	0	**195**	0	0	**195**
Transport Appropriation	34	0	20	**54**	(12)	0	**42**
Other	4	0	1	**5**	0	0	**5**
Total	3,679	(685)	1,476	**4,470**	(583)	675	**4,562**
HRA:							
Decent Homes Backlog Reserve	0	0	526	**526**	(526)	0	**0**
General Earmarked reserves	238	(43)	351	**546**	(377)	104	**273**
Total	**238**	**(43)**	**877**	**1,072**	**(903)**	**104**	**273**

* The Value for Money reserve is to support infrastructure investment in assets such as the Council Offices, Leisure Centres and ICT infrastructure and to fund future savings.

6. Other Operating Expenditure

2012/13 £'000		2013/14 £'000
1,286	Parish Council Precepts	1,298
344	Payments to the Government Housing Capital Receipts Pool	554
493	Gains/losses on the disposal of non current assets	1,680
2,123	**Total**	3,532

7. Financing and Investment Income and Expenditure

2012/13 £'000		2013/14 £'000
2,962	Interest payable and similar charges	2,940
1,016	Pensions interest cost and expected return on pensions assets	1,570
(74)	Interest receivable and similar income	(111)
(81)	Income and expenditure in relation to investment properties	(651)
0	Other investment income	0
3,823	**Total**	3,748

8. Taxation and Non Specific Grant Income

2012/13 £'000		2013/14 £'000
(6,992)	Council tax income	(6,366)
(4,804)	Non domestic rates	(2,014)
(711)	Non-ringfenced government grants	(4,193)
0	Capital grants and contributions	(1,335)
(12,507)	**Total**	(13,908)

9. Property, Plant and Equipment

Movements on Balances

Movements in 2013/14:

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture, Equip. £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant & Equip. £'000
Cost or Valuation								
At 1 April 2013	141,211	16,043	3,853	0	118	1,092	0	162,317
Additions	14,227	93	940					15,260
Donations								0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,915	76				44		2,035
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,401)	(291)				(18)		(3,710)
Derecognition - Disposals	(1,251)		(178)			(294)		(1,723)
Derecognition - Other	(2,200)							(2,200)
Assets reclassified								0
Other movements in Cost or Valuation								0
At 31 March 2014	**150,501**	**15,921**	**4,615**	**0**	**118**	**824**	**0**	**171,979**

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture, Equip. £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant & Equip. £'000
Accumulated Depreciation and Impairment								
At 1 April 2013	0	0	2,350	0	0	0	0	2,350
Depreciation charge	1,146	403	581			19		2,149
Depreciation written out to the Revaluation Reserve								0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,146)	(403)				(19)		(1,568)
Impairment losses/(reversals) recognised in the Revaluation Reserve								0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services								0
Derecognition - Disposals			(178)					(178)
Derecognition - Other								0
Other movements in Depreciation and Impairment								0
At 31 March 2014	**0**	**0**	**2,753**	**0**	**0**	**0**	**0**	**2,753**
Net Book Value								
At 31 March 2014	150,501	15,921	1,862	0	118	824	0	169,226
At 31 March 2013	141,211	16,043	1,503	0	118	1,092	0	159,967

Comparative Movements in 2012/13:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture, Equip.	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equip.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2012	142,098	16,669	3,582	0	118	1,066	0	163,533
Additions	5,906	88	697					6,691
Donations								
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,485	153				19		1,657
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,047)	(682)				7		(7,722)
Derecognition - Disposals	(523)							(523)
Derecognition - Other	(708)							(708)
Assets reclassified (to)/from Held for Sale		(185)						(185)
Other movements in Cost or Valuation			(426)					(426)
At 31 March 2012	141,211	16,043	3,853	0	118	1,092	0	162,317

Comparative Movements in 2012/13:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture, Equip.	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equip.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1 April 2012	0	0	1,972	0	0	0	0	1,972
Depreciation charge	(2,804)	500	534			26		(1,744)
Depreciation written out to the Revaluation Reserve								
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,804	(500)				(26)		2,278
Impairment losses/(reversals) recognised in the Revaluation Reserve								
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services								
Derecognition - Disposals								
Derecognition - Other								
Other movements in Depreciation and Impairment			(156)					(156)
At 31 March 2013	**0**	**0**	**2,350**	**0**	**0**	**0**	**0**	**2,350**

Fixed Assets Valuation

The fixed assets shown in the Balance Sheet are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice. The different types of assets have been valued on the following basis:

(i) Operational assets are included in the balance sheet at open market value in existing use or depreciated replacement cost where the asset is of a specialist nature, i.e. there is no market for such an asset.

(ii) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at open market value.

(iii) Infrastructure and community assets are included in the balance sheet at historic cost, net of any depreciation.

(iv) Council dwellings have been valued using the beacon principal, where a typical property is valued as being representative of a particular house type and location. The valuation for each of the beacon properties selected was on the basis of existing use value – Social Housing.

Category	Date of Last Valuation	Basis of Valuation	Details of Valuers
Council Dwellings	31.03.14	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. In the case of housing stock this is based upon Existing Use Value for Social Housing.	Mr S Holland (MRICS), Chesterton Humberts
Other Land & Building	31.03.14	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered	Mr S Holland (MRICS), Chesterton Humberts

Major fixed assets held at 31st March 2014, are:-

2012/13 No		2013/14 No
	LEISURE SERVICES	
2	Leisure Centres with Pools	2
1	Markets	1
4	Cemeteries	4
	COUNCIL DWELLINGS	
2,635	Houses	2,605
1,017	Flats & Maisonettes	998
812	Bungalows	811
	LAND	
115	Parks & Open Spaces (acres)	115
	OTHER	
1	Office Properties	1
3	Depots	3
19	Off Street Car Parks	19
11	Public Conveniences	10
9	Industrial Estates/Business Units	9

10. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2012/13 £'000		2013/14 £'000
796	Rental income from investment property	774
(715)	Direct operating expenses arising from investment property	(123)
81	Net gain/(loss)	651

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

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

2012/13 £'000		2013/14 £'000
10,241	Balance at the start of the year	10,166
	Additions:	
	Purchases	
	Construction	
	Subsequent expenditure	
	Disposals	
(260)	Net gains/losses from fair value adjustments	393
	Transfers:	
	To/from Inventories	
185	To/from Property, Plant and Equipment	
	Other changes	
10,166	Balance at the end of the year	10,559

11. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software suites used by the Authority are:

	Other Asset
6 years	Revenue System

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £214k charged to revenue in 2013/14, most of this amount was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2013/14			2012/13		
	Internally Generated Assets £'000	**Other Assets £'000**	**Total £'000**	**Internally Generated Assets £'000**	**Other Assets £'000**	**Total £'000**
Balance at start of year						
- Gross carrying amounts		1,033	1,033		587	587
- Accumulated amortisation		(557)	(557)		(233)	(233)
Net carrying amount at start of year		476	476		354	354
Additions:						
- Internal development						
- Purchases		328	328		21	21
- Acquired through business combinations						
Assets reclassified as held for sale						
Other disposals						
Revaluations increases or decreases						
Impairment losses recognised or reversed directly in the Revaluation Reserve						
Impairment losses recognised in the Surplus/Deficit on the Provision of Services						
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services						
Amortisation for the period		(214)	(214)		(166)	(166)
Other changes			0		267	267
Net carrying amount at end of year		590	590		476	476
Comprising:						
- Gross carrying amounts		1,361	1,361		1,033	1,033
- Accumulated amortisation		(771)	(771)		(557)	(557)
		590	590		476	476

12. Assets Held for Sale

The council held the following assets for sale at 31st March 2014.

	Current		Non-Current	
	2013/14	2012/13	2013/14	2012/13
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	350	350	0	0
Assets newly classified as held for sale:				
- Property, Plant and Equipment				
- Intangible Assets				
- Other assets/liabilities in disposal groups				
Revaluation losses				
Revaluation gains				
Impairment losses				
Assets declassified as held for sale:				
- Property, Plant and Equipment				
- Intangible Assets				
- Other assets/liabilities in disposal groups				
Assets sold				
Transfers from non current to current				
Other movements				
Balance outstanding at year end	350	350	0	0

13 Inventories

	Consumable Stores		Maintenance Materials		Total	
	2012/13 £'000	**2013/14 £'000**	**2012/13 £'000**	**2013/14 £'000**	**2012/13 £'000**	**2013/14 £'000**
Balance outstanding at start of year	76	63	69	66	145	129
Purchases	669	688	20	17	689	705
Recognised as an expense in the year	(682)	(684)	(23)	(15)	(705)	(699)
Written off balances	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0
Balance outstanding at year end	**63**	**67**	**66**	**68**	**129**	**135**

14 Short-Term Debtors

31 March 2013 £'000		**31 March 2014 £'000**
953	Central Government bodies	496
324	Other local authorities	300
0	NHS bodies	0
61	Public Corporations and trading funds	86
2,542	Other entities and individuals	3,745
3,880		**4,627**

15 Cash and Cash Equivalents.

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2013 £'000		**31 March 2014 £'000**
4	Cash held by the Authority	4
273	Bank current accounts	126
14,053	Short-term deposits with building societies	16,728
14,330	**Total Cash and Cash Equivalents**	16,858

16 Short-Term Creditors

31 March 2013 £'000		**31 March 2014 £'000**
1,401	Central Government bodies	2,455
813	Other local authorities	1,644
0	NHS bodies	5
119	Public Corporations and trading funds	229
2,902	Other entities and individuals	4,289
5,235		**8,622**

17 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

18 Unusable Reserves.

31 March 2013 £'000		31 March 2014 £'000
8,469	Revaluation Reserve	9,739
70,479	Capital Adjustment Account	79,501
(1,493)	Financial Instruments Adjustment Account	(1,446)
0	Deferred Capital Receipts Reserve	0
(34,746)	Pensions Reserve	(43,381)
44	Collection Fund Adjustment Account	(41)
(234)	Accumulated Absences Account	(242)
42,519	**Total Unusable Reserves**	44,130

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2012/13 £'000		2013/14 £'000
7,647	**Balance at 1 April**	7,728
177	Upward revaluation of assets	2,035
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
177	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	2,035
(96)	Difference between fair value depreciation and historical cost depreciation	(16)
	Accumulated gains on assets sold or scrapped	(8)
(96)		(24)
	Amount written off to the Capital Adjustment Account	
7,728	**Balance at 31 March**	9,739

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement(with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

Note 7 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £'000			**2013/14 £'000**
72,019	**Balance at 1 April**		71,220
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,861	• Charges for depreciation and impairment of non-current assets	(2,130)	
(8,795)	• Revaluation losses on Property, Plant and Equipment	(2,145)	
(166)	• Amortisation of Intangible assets	(214)	
0	• Revenue expenditure funded from capital under statute	0	
(1,231)	• Amounts of non current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,738)	
(8,331)			(8,227)
0	Adjusting amounts written out of Revaluation Reserve		16
0	Net written out amount of the cost of non current assets consumed in the year		16
	Capital financing applied in the year:		
0	• Use of Capital Receipts Reserve to finance new capital expenditure	0	
2,689	• Use of the Major Repairs Reserve to finance new capital expenditure	4,951	
0	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	
965	• Repayment of Debt	987	
0	• Application of grants to capital financing from the Capital Grants Unapplied Account	8,500	
609	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	617	
3,269	• Capital expenditure charged against the General Fund and HRA balances	1,044	
7,532			16,099
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		393
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
71,220	**Balance at 31 March**		79,501

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2012/13 £'000		2013/14 £'000
(1,545)	**Balance at 1 April**	(1,493)
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
47	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	42
5	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	5
(1,493)	**Balance at 31 March**	(1,446)

Pensions Reserve

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

2012/13 £'000		2013/14 £'000
(27,808)	**Balance at 1 April**	(34,746)
(5,968)	Actuarial gains or losses on pensions assets and liabilities	(6,736)
(2,888)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,896)
1,918	Employer's pensions contributions and direct payments to pensioners payable in the year	1,997
(34,746)	**Balance at 31 March**	(43,381)

Deferred Capital Receipts Reserve

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

Deferred Capital Receipts Reserve

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

2012/13 £'000		2013/14 £'000
2	**Balance at 1 April**	0
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	**Balance at 31 March**	0

Collection Fund Adjustment Account

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

Council Tax

2012/13 £'000		2013/14 £'000
23	**Balance at 1 April**	44
21	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	88
44	**Balance at 31 March**	132

Non-Domestic Rates

2012/13 £'000		2013/14 £'000
0	**Balance at 1 April**	0
0	Amount by which Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(173)
0	**Balance at 31 March**	(173)

Accumulated Absences Account

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

2012/13 £'000		2013/14 £'000
(225)	**Balance at 1 April**	(234)
225	Settlement or cancellation of accrual made at the end of the preceding year	234
(234)	Amounts accrued at the end of the current year	(242)
(9)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(8)
(234)	**Balance at 31 March**	(242)

19 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2012/13 £'000		2013/14 £'000
(80)	Interest received	(129)
2,959	Interest paid	2,943
0	Dividends received	0
2,879		2,814

20 Cash Flow Statement - Investing Activities

2012/13 £'000		2013/14 £'000
5,508	Purchase of property, plant and equipment, investment property and intangible assets	15,028
0	Purchase of short-term and long-term investments	4,000
0	Other payments for investing activities	2
(737)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,042)
0	Proceeds from short-term and long-term investments	0
0	Other receipts from investing activities	0
4,771	**Net cash flows from investing activities**	16,988

21 Cash Flow Statement - Financing Activities

2012/13 £000		2013/14 £000
0	Cash receipts of short and long-term borrowing	(32)
(1,742)	Other receipts from financing activities	(3,969)
79	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	80
978	Repayments of short and long-term borrowing	1,054
0	Other payments for financing activities	0
(685)	**Net cash flows from financing activities**	(2,867)

22 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice 2013/14. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

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

Directorate Income and Expenditure 2013/14

	Chief Executive	Director of Services	Corporate Costs	General Fund Total	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Costs	4,306	7,975	83	12,364	3,585	15,949
All Other Controllable Costs	22,482	5,411	145	28,038	15,941	43,979
Total Expenditure	26,788	13,386	228	40,402	19,526	59,928
Controllable Income	(22,358)	(8,311)	(59)	(30,728)	(25,884)	(56,612)
Net Expenditure	4,430	5,075	169	9,674	(6,358)	3,316

Directorate Income and Expenditure 2012/13 Comparative Figures

	Chief Executive	Director of Services	Corporate Costs	General Fund Total	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Costs	4,056	8,101	104	12,261	3,487	15,748
All Other Controllable Costs	27,891	6,672	110	34,673	6,853	41,526
Total Expenditure	31,947	14,773	214	46,934	10,340	57,274
Controllable Income	(27,737)	(8,907)	(31)	(36,675)	(16,715)	(53,390)
Net Expenditure	4,210	5,866	183	10,259	(6,375)	3,884

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

2012/13 £000		2013/14 £000
3,884	Net expenditure in the (Directorate) Analysis	3,316
0	Net expenditure of services and support services not included in the Analysis	0
1,423	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	3,171
(2,160)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(10,349)
3,147	**Cost of Services in Comprehensive Income and Expenditure Statement**	(3,862)

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

2013/14	**Directorate Analysis**	**Services & Support Services not in Analysis**	**Amounts not reported to management**	**Amounts not included in I & E**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(26,938)		1,982	963		(23,993)	(774)	(24,767)
Recharge Income	0		(12,662)			(12,662)		(12,662)
Interest & Investment Income	(26)		(11)			(37)	(111)	(148)
Income from council tax and NDR	0					0	(8,276)	(8,276)
Government	(29,648)		(1,071)			(30,719)	(4,209)	(34,928)
Contribution from Collection Fund	0					0	(105)	(105)
Total Income	(56,612)	0	(11,762)	963	0	(67,411)	(13,475)	(80,886)
Employee expenses	15,949		239	(132)		16,056	132	16,188
Other service expenses	43,979		(1,271)	(11,498)		31,210	309	31,519
Support Service Recharges			12,662	(75)		12,587	75	12,662
Depreciation, amortisation and impairment			3,303	393		3,696	(393)	3,303
Interest payments & similar items						0	2,940	2,940
Precepts & Levies						0	1,298	1,298
Payments to Housing Capital Receipts Pool						0	554	554
Net Pension Interest						0	1,570	1,570
Gain or Loss on Disposal of Non Current Assets						0	1,680	1,680
Total Expenditure	59,928	0	14,933	(11,312)	0	63,549	8,165	71,714
Surplus or deficit on the provision of services	3,316	0	3,171	(10,349)	0	(3,862)	(5,310)	(9,172)

2012/13 Comparatives	Directorate Analysis	Services & Support Services not in Analysis	Amounts not reported to management	Amounts not included in I & E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(26,736)		180	1,028		(25,528)	(796)	(26,324)
Recharge Income			(12,297)			(12,297)		(12,297)
Interest & Investment Income	(26)					(26)	(74)	(100)
Income from council tax, Government Grants and Contributions	(26,628)		(2,497)			(29,125)	(12,452)	(41,577)
Other Income						0		0
Contribution from Collection Fund						0	(55)	(55)
Total Income	(53,390)	0	(14,614)	1,028	0	(66,976)	(13,377)	(80,353)
Employee expenses	15,748		(6)	(133)		15,609	133	15,742
Other service expenses	41,526		(552)	(2,726)		38,248	253	38,501
Support Service Recharges, Depreciation,			16,595	(329)		16,266	329	16,595
HRA Self Financing						0		0
Interest Payments						0	2,962	2,962
Precepts & Levies						0	1,286	1,286
Payments to Housing Capital Receipts Pool						0	344	344
Net Pension Interest						0	1,016	1,016
Gain or Loss on Disposal of Non Current Assets						0	493	493
Total Expenditure	57,274	0	16,037	(3,188)	0	70,123	6,816	76,939
Surplus or deficit on the provision of services	3,884	0	1,423	(2,160)	0	3,147	(6,561)	(3,414)

23 Agency Services

The Council, in partnership with Leicestershire County Council carries out the Decriminalised Parking Enforcement throughout North West Leicestershire which cost £102,064 in 2013/14 (£125,353 - 2012/13).

24 Members' Allowances

The total value of Members Allowances paid during the year was £219,434 (£210,684 – 2012/13).

25 Officers' Remuneration

The number of employees whose remuneration, including redundancy payments but excluding pension contribution was £50,000 or more in bands of £5,000 were:

2012/13	Remuneration Band	2013/14
No of employees		No of employees
0	£50,000 - £54,999	0
4	£55,000 - £59,999	2
1	£60,000 - £64,999	3
0	£65,000 - £69,999	0
0	£70,000 - £74,999	0
0	£75,000 - £79,999	1
1	£80,000 - £84,999	0
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
1	£125,000 - £129,999	1

2013/14 Senior Officers emoluments - salary is between £50,000 and £150,000 per year								
Post holder information (P	**Note**	**Salary**	**Bonus**	**Compensation (loss of emp)**	**Other**	**Total ex pension**	**Employers Pension**	**Total inc pension**
		£	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive		120,651	0	0	4,403	125,054	23,406	148,460
Director of Services		79,537	0	0	353	79,890	15,430	95,320
Head of Finance		61,359	0	0	0	61,359	11,904	73,263
Head of Legal & Democratic Services		59,201	0	0	0	59,201	11,485	70,686
Head of Community Services		56,201	0	0	2,081	58,282	10,903	69,185
Head of Housing		56,201	0	0	3,813	60,014	10,903	70,917
Head of Regeneration & Planning		63,564	0	0	0	63,564	12,331	75,895
		496,714	0	0	10,650	507,364	96,362	603,726

2012/13 Senior Officers emoluments - salary is between £50,000 and £150,000 per year								
Post holder information (P	**Note**	**Salary**	**Bonus**	**Compensation (loss of emp)**	**Other**	**Total ex pension**	**Employers Pension**	**Total inc pension**
		£	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive		120,651	0	0	5,015	125,666	22,200	147,866
Director of Services		77,749	0	0	4,259	82,008	14,306	96,313
Head of Finance		55,538	0	0	295	55,834	10,219	66,053
Head of Legal & Democratic Services		55,767	0	0	743	56,510	10,261	66,771
Head of Community Services		55,122	0	0	2,081	57,203	10,142	67,345
Head of Housing		55,122	0	0	3,052	58,174	10,142	68,316
Head of Planning & Engagement		18,657	0	41,684	200	60,541	3,395	63,936
Head of Regeneration & Planning		13,670	0	0	0	13,670	2,515	16,185
		452,276	0	41,684	15,645	509,605	83,181	592,786

Note 1: The Head of Planning & Engagement left on 3/8/12. The annual salary was £54,043.
Note 2: The Head of Regeneration & Planning started on 14/1/13. The annual salary was £63,564.

26 External Audit Costs

In 2013/2014 North West Leicestershire District Council incurred the following fees relating to external audit and inspection.

2012/13 £'000		2013/14 £'000
	Fees payable with regard to external audit services:-	
(6)	Audit Commission	(9)
66	KPMG	66
	Fees payable for the certification of grant claims and returns:-	
29	Audit Commission	0
11	KPMG	24
100		**81**

27 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13 £000		2013/14 £000
	Credited to Taxation and Non Specific Grant Income	
6,992	Council Tax Income	6,366
0	Non Domestic Rates	2,014
4,804	Redistributed NDR	0
93	Revenue Support Grant	3,156
141	Council Tax Freeze Grant	56
463	New Homes Bonus	941
0	Council Tax Transition	20
5	Assets of Community Value	8
9	Community Rights to Challenge	9
0	Transparency	3
0	Capital Grants and Contributions	1,335
12,507	**Total**	13,908
	Credited to Services	
24,981	Housing Benefit Subsidy	19,170
540	Housing Benefit Admin Grant	490
3,690	Decent Homes Backlog Grant	8,500
147	Cost of Collection	146
293	Private Sector Grants	229
336	Supporting People Grant	337
220	Other Grants under £100k each	138
291	Locality Partnerships	361
219	Section 106	0
119	Active Together	138
118	Other Contributions under £100k each	250
30,954	**Total**	29,759

The Authority has received a number of grants, contributions and donations 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:

31 March 2013 £'000	Capital Grant Receipts in Advance	31 March 2014 £'000
1,163	Affordable Housing	315
520	Recreation/Playground	159
620	Healthcare/PCT	754
5	CCTV	5
48	Police	0
2,356	**Total**	1,233

28 Related Parties

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

Central Government has 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 re-distribution of non-domestic rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with the government are shown below.

It is the nature of local government that the majority of Council Members are heavily involved in the local community through various organisations such as voluntary bodies, societies, groups etc., often as an appointed Council representative. Members' interests are formally disclosed in a register of interests, of which details are available on request.

During the year transactions with related parties arose as follows:

2012/13 (Receipts)/ Payments £'000		2013/14 (Receipts)/ Payments £'000
	Central Government	
(25,755)	Revenue Grants (Benefits/RSG/other grants)	23,849
(293)	Capital Grants (Improvement Grants)	
33,504	Leicestershire County Council - Precept	30,222
1,682	Leicestershire Fire and Rescue	1,660
5,480	Leicestershire Police - Precept	4,943

29. Capital Financing Requirement

2012/13 £'000		2013/14 £'000
92,854	**Opening Capital Financing Requirement**	92,112
	Capital Investment:	
0	Housing Capital Finance (REFCUS)	
6,719	Operational assets	15,587
0	Non-operational assets	
482	Revenue Expenditure Funded from Capital Under Statute	314
	Sources of Finance:	
0	Capital Receipts	
(3,795)	Government grants and other contributions	(9,469)
(4,148)	Revenue provision (including major repairs allowance)	(6,916)
92,112	**Closing Capital Financing Requirement**	91,628
	Explanation of movements in the year	
(742)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(484)
(742)	**Increase/(decrease) in Capital Financing Requirement**	(484)

30. Leases

Authority as Lessee

Finance Leases

The Council has acquired a number of Plant Vehicle and Equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2013 £'000		31 March 2014 £'000
0	Other Land and Buildings	0
135	Vehicles, Plant, Furniture and Equipment	30
135		30

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

31 March 2013 £'000		31 March 2014 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
	• current	
108	• non current	23
6	Finance costs payable in future years	1
102	Minimum lease payments	22

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	22	80	23	85
Later than one year and not later than five years	0	22	0	23
Later than five years	0	0	0	0
	22	102	23	108

Operating Leases

The Authority has acquired its fleet of refuse collection vehicles by entering into operating leases, with typical lives of seven years.

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

31 March 2013 £'000		31 March 2014 £'000
85	Not later than one year	40
51	Later than one year and not later than five years	17
0	Later than five years	0
136		57

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2012/13 £'000		2013/14 £'000
168	Minimum lease payments	84
0	Contingent rents	0
168		84

Authority as Lessor

The Authority is not a lessor.

31. Termination Benefits

The authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £15,032.02 (£60,288.64 in 2012/13).

	No. of compulsory redundancies		No. of other agreed departures		Total no. of exit packages by band		Total cost of exit packages by band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 - £20,0000	5	5	2	2	7	7	£15,032	£18,604
£20,001 - £40,000	0	0	0	0	0	0	£0	£0
£40,001 - £60,000	0	1	0	0	0	1	£0	£41,684
£60,001 - £80,000	0	0	0	0	0	0	£0	£0
£80,001 - £100,000	0	0	0	0	0	0	£0	£0
	5	6	2	2	7	8	£15,032	£60,289

32. Pension Schemes Accounted for as Defined Contribution Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme (LGPS) for employees, which is administered by Leicestershire County Council - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are 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 of the Income & Expenditure Account (I & E) after net operating expenditure. The following transactions have been made in the Income and Expenditure Account during the year.

2012/13 £'000		2013/14 £'000
	Net Cost of Services	
1,844	current service cost	2,326
0	Past service costs	0
28	curtailments	0
1,872		2,326
	Net Operating Expenditure	
3,796	interest cost	4,194
(2,780)	expected return on assets in the scheme	(2,624)
1,016		1,570
2,888	***Amount charged to Income and Expenditure Account***	3,896
	Amounts to be met from Government Grants and	
(71)	movement on pension reserve	(72)
	Actual amount charged against General Fund & HRA for pensions in the year	
1,847	employers' contributions payable to the scheme	1,925
71	unfunded discretionary benefit payments	72

The Annual Report of the Leicestershire County Council Superannuation Fund is available from Leicestershire County Council, County Hall, Glenfield, Leicestershire.

Income & Expenditure Account contains details of the Authority's participation in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council. The following information was supplied by Hymans Robertson LLP on 25th April 2014.

Employers Membership Statistics

	Average Age	Number		Total Salaries/Pension £'000	
	31 March 2013	26 February 2014	31 March 2013	31 January 2013	31 March 2013
Actives	50	459	464	9,576	9,597
Deferred Pensioners	50	377	366	*	787
Pensioners	67	395	397	*	2,398

* Actuaries have not provided current figures for the amount of pensions in payment and deferred pensions.

PAYROLL

	2013/14 £'000	2012/13 £'000
Assumed total pensionable payroll based on contribution information provided	9,651	9,654

INVESTMENT RETURNS

The return on the fund in market value terms for the year to 31 March 2014 is estimated based on actual fund returns as provided by the Administering Authority and index returns where necessary. Details are given below.

Return for Period 1 April 2013 to 31 March 2014	2.6%
Estimated Return for Period from 1 April 2013 to 31 March 2014	2.6%

UNFUNDED BENEFITS

A summary of the membership data in respect of Unfunded Benefits in shown below.

LGPS Unfunded Pensions	**Number at 26 February 2014**	**Annual Unfunded Pensions (£'000)**
Male	29	60
Female	4	3
Dependants	11	11
TOTAL	44	74

PROJECTED PENSION EXPENSE FOR YEAR 31/3/2015

Analysis of Projected Amount to be charged to operating profit for the year to 31 March 2015

Year Ended	**31/03/2015 £'000**	**% of pay**
Projected Current service cost	2,275	23.8%
Interest on Obligation	4,412	46.1%
Expected Return on Plan Assets	(2,541)	26.50%
Losses /(Gains) on Curtailment and Settlements	0	0.0%
TOTAL	**4,146**	**43.4%**

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £43,381,000 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 Council remains healthy. The deficit on the Pension Fund will be made good by increased contributions as assessed by the Actuary.

BASIS FOR ESTIMATING ASSETS AND 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. The LGPS Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2014.

The main assumptions used in their calculations have been:

2012/13	Assumptions	2013/14
2.8%	Inflation/Pension Increase Rate	2.8%
5.1%	Salary Increase Rate	4.6%
4.5%	Expected Return on Assets	-
4.5%	Discount Rate	4.3%

Assets in the County Council Pension Fund are valued at bid price as required under IAS 19.

Assets Category	2012/13 Value £'000	2012/13 Asset Distribution %	2013/14 Value £'000	2013/14 Asset Distribution %
Equity Securities	2,148	4	2,179	4
Debt Securities	4,904	8	4,974	8
Private Equity	2,295	4	2,327	4
Real Estate	5,467	9	5,544	9
Investment Funds	42,338	73	42,939	73
Cash & Cash Equivalents	1,326	2	1,346	2
TOTAL	58,478	100	59,309	100

Mortality

Life Expectancy is based on the Fund's Vitacurves with improvements from 2010 in line with the Medium Cohort and a 1.25% p.a. underpin. Based on these assumptions, the future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.2	24.3
Future pensioners	24.2	26.6

Reconciliation of Present Value of the Scheme Liabilities

2012/13 £'000		2013/14 £'000
79,242	**Opening Defined Benefit Obligation**	**93,224**
1,844	Current Service cost	2,326
3,796	Interest cost	4,194
630	Contributions by Members	630
10,508	Actuarial losses/(Gains)	5,189
	Past service costs/(Gains)	0
28	Losses/(Gains) on Curtailments	0
(71)	Estimated Unfunded Benefits Paid	(72)
(2,753)	Estimated Benefits Paid	(2,801)
93,224		**102,690**

Reconciliation of fair value of employer assets

2012/13 £'000	YEAR ENDED	2013/14 £'000
51,434	**Opening Fair Value of Employer Assets**	**58,478**
2,780	Expected Return on Assets	2,624
630	Contributions by Members	630
1,847	Contributions by the Employer	1,925
71	Contributions in respect of Unfunded Benefits	72
4,540	Actuarial losses/(Gains)	(1,547)
(71)	Estimated Unfunded Benefits Paid	(72)
(2,753)	Estimated Benefits Paid	(2,801)
58,478		**59,309**

Scheme History

Amounts for the current and previous accounting periods

YEAR ENDED	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Fair Value of Employer Assets	51,062	51,600	51,434	58,478	59,309
Present Value of Defined Benefit Obligation	(88,948)	(71,602)	(79,242)	(93,224)	(102,690)
Surplus/(Deficit)	(37,886)	(20,002)	(27,808)	(34,746)	(43,381)
Experience Gains/(Losses) on Assets	11,288	(1,521)	(3,382)	4,540	(1,547)
Experience Gains/(Losses) on Liabilities	(104)	(675)	(875)	132	(632)
Actuarial Gains/ (Losses) on Employer Assets	11,288	(1,521)	(3,382)	4,540	(1,547)
Actuarial Gains/ (Losses) on Obligations	(32,462)	12,074	(4,193)	(10,508)	(5,189)
Actuarial Gains/ (Losses) recognised in SRIE	(21,174)	10,553	(7,575)	(5,968)	(6,736)

Notes to the Statement of Recognised Income and Expense (SRIE)

YEAR ENDED	2012/13 £'000	2013/14 £'000
Actuarial Gains/(Losses) on Plan Assets	4,540	(1,547)
Actuarial Gains/ (Losses) on Obligations	(10,508)	(5,189)
Actuarial Gain/ (Loss) Recognised in SRIE	**(5,968)**	**(6,736)**
Cumulative Actuarial Gains and Losses	**(34,274)**	**(41,010)**

Balance Sheet

2012/13 £'000	YEAR ENDED	2013/14 £'000
58,478	Fair Value of Employer Assets	59,309
(92,087)	Present Value of Funded Liabilities	(101,505)
(33,609)	Net (Under)/ Overfunding in Funded Plans	(42,196)
(1,137)	Present Value of Funded Liabilities	(1,185)
	Unrecognised Past Service Cost	0
(34,746)	**Net Asset/(Liability)**	(43,381)
	Amount in the Balance Sheet	
34,746	Liabilities	43,381
	Assets	
34,746	**Net Asset/(Liability)**	43,381

33. Provisions

NWLDC holds two specific provisions. One is to cover the possible repayment of personal search fees £134k, for a group of Property Search Companies who are seeking to claim refunds of fees paid to the Council to access land charges data. They may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour.

The second is for NNDR appeals £1,365k (Business Ratepayers who have appealed against their assessment are still required to pay the rates demanded but should their appeal be successful then any sums overpaid will be refunded.

34. Nature and Extent of Risks Arising from Financial Instruments

The Borrowings and Investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

2012/13 £'000		2013/14 £'000
	FINANCIAL LIABILITIES	
89,716	Financial Liabilities at Amortised Cost	92,718
	FINANCIAL ASSETS	
17,542	Loans and Receivables	24,296

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial Liabilities and Financial Assets represented by Loans and Receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised.
- Where an Instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The Fair Value of Trade and other receivables is taken to be the invoiced or billed amount.

An analysis of Long-Term Borrowing and Deferred Liabilities outstanding by maturity is shown below:-

2012/13	Period of Maturity	2013/14
£000's		**£000's**
987	Maturity in 1 year	2,009
3,041	Maturity in 1 - 2 years	2,087
3,237	Maturity in 2 - 5 years	3,310
21,402	Maturity in 5 - 10 years	21,535
59,843	Maturity in over 10 years	58,582
88,510		**87,523**

2012/13 has been re-stated due to re-classifying between years

The Fair Values are calculated are as follows:

2012/13			2013/14	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
89,716	99,933	Financial Liabilities	92,718	94,158
17,542	17,542	Loans and Receivables	24,296	24,296

The Fair Value is represented by the carrying amount as the authority has no material long term investments.

Financial Instruments Gains/Losses

There are no Gains/losses recognised in the Income and Expenditure Account or the Statement of Total Recognised Gains and losses in relation to Financial Instruments.

Financial Instruments - Nature and Extent of Risk

Credit Risk.

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

Prior to the beginning of each financial year, the Council agrees and publishes an Investment Strategy. The Investment Strategy sets out the minimum credit rating criteria for counterparties who are banks and other financial institutions. The Council relies to some extent on credit ratings and utilises the services of a Treasury Consultant to monitor and advise of changes to these ratings.

The minimum credit rating criteria, set out in the Investment Strategy, are kept under constant review. As a result of liquidity problems (the credit crunch) experienced by banks and financial institutions since Autumn 2007, the minimum criteria were increased to provide additional security to the Council's investments. This action had the effect of removing most of the counterparties who had been on the existing list.

As a result of the Council's prudent approach to investment, which places security and liquidity above yield, the Council has never experienced any losses on investments. Nevertheless, theoretical considerations suggest that an investment with any institution carries some risk, albeit very small. The events which could give rise to these risks are rare or unforeseen and it is therefore very difficult to assess and quantify. Subject to these rare or unforeseen risks, the assessment that the maximum exposure is nil is considered to be a practical and pragmatic assessment.

The Council has £4,283,822 of General Debtors, for which a provision for doubtful debts of £852,354 has been made.

Liquidity Risk.

As the Authority has ready access to funds from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure an even maturity debt profile to mitigate against this risk.

Market Risk.

Interest Rate Risk.

The authority is not exposed to significant risk in terms of exposure to interest rate movement on its borrowings. However, a change in interest rates could impact upon the Council's investment income. For example an increase in rates would have the following effect:

a) investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
b) investments at fixed rates – the fair value of the assets will fall.

Price Risk.

The authority does not invest in equities and is therefore not exposed to this risk.

35. Building Control Charges

The Building (Local Authority Charges) Regulations 2010 requires the disclosure of information regarding the setting of charges for the administration of the building control function. However the Building Control service cannot charge for building work solely required for disabled persons. The overriding objective is to ensure the chargeable account recovers costs for the chargeable functions.

2012/13 £'000		2013/14 £'000
	Chargeable Work	
156	Expenditure	164
(130)	Income	(186)
26	(Surplus) / Deficit	(22)
	Non-Chargeable Work	
99	Expenditure	101
(1)	Income	(2)
98	(Surplus) / Deficit	99

36. Jointly Controlled Partnerships

The Council has entered into a partnership with Hinckley and Bosworth Borough Council and Harborough District Council to provide shared administration of Revenues and Benefits. The partners have an agreement in place for funding these services which runs for 5 years from 6th April 2011. The Partnership is currently hosted by Hinckley and Bosworth Borough Council on behalf of the other partners.

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by Northwest Leicestershire District Council in 2013/14 was £1.16 million.

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 the County Council) 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.

“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.

The 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 2013/14; the Leicester and Leicestershire Pool (LLP). The 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. Any remaining net income from the Pool was to be used to provide a £0.4m contingency for future safety nets and any further income above that level was to be passed to the Leicester and Leicestershire Economic Partnership (LLEP).

Overall the Pool achieved a net surplus of £0.7m for 2013/14. The summary table is shown below:

	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	1.9	15.2	15	0	0.1
Charnwood	3.8	17.2	16.6	0	0.3
Harborough	1.5	13	14.8	0.9	0
Hinckley & Bosworth	2.3	10.9	11.3	0.2	0
Melton	1.2	5	5.1	0.1	0
NW Leicestershire	2.1	18.3	18.2	0	0
Oadby & Wigston	1.3	4.7	4.6	0	0.1
Total	14.1	84.3	85.6	1.2	0.5
Net gain					0.7

The surplus at the end of 2013/14 will be distributed in agreement with the LLP partners.

Due to uncertainties over Government policy changes and the level of potential appeal losses, the LLP partners decided not to continue with the Pool in 2014/15 and to review the position again for 2015/16.

HOUSING REVENUE ACCOUNT (HRA)

HOUSING INCOME AND EXPENDITURE ACCOUNT

2012/13			NOTES	2013/14	
£'000	**£'000**	**INCOME**		**£'000**	**£'000**
	(15,235)	Rents - Dwellings	H4		(15,757)
(87)		Rents - Garages / Sites		(85)	
(13)		Rents - Shops		(13)	
(6)		Rents - Other		(4)	
	(106)				(102)
	(471)	Charges for Services and Facilities			(419)
	(337)	Supporting People Grant			(337)
	(3,690)	Decent Homes Backlog Grant			(8,500)
	(41)	Housing Subsidy Payments from the National Pool	H10		0
	(24)	Other Income			(2)
	(19,904)	**TOTAL INCOME**			(25,117)
		EXPENDITURE			
	3,887	Repairs & Maintenance			4,821
		Supervision & Management			
2,003		- General		2,118	
482		- Special		503	
	2,485				2,621
		Capital Charges			
	5,582	- Depreciation & Impairment of Fixed Assets	H8/9		3,425
	90	Increase in provision for Bad or Doubtful Debts			224
	1	Debt Management Expenses			1
	12,045	**TOTAL EXPENDITURE**			11,092
	(7,859)	**NET COST OF HRA SERVICES INCLUDED IN INCOME & EXPENDITURE ACCOUNT**			**(14,025)**
	201	Housing Share of Corporate & Democratic Costs			207
	0	Housing Share of other amounts included in the whole authority cost of services but not allocated to specific services			26
	(7,658)	**NET COST OF HRA SERVICES**			**(13,792)**
	494	(Gain) or Loss on Sale of HRA Fixed Assets			1,700
	2,440	Interest Payable & Similar Items			2,415
	(24)	Interest on Balances			(36)
	24	Amortisation of Premiums & Discounts			19
	0	Interest on Sale of Council Houses			0
	(4,724)	**(SURPLUS)/DEFICIT ON HRA SERVICES**			**(9,694)**

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2012/13 £'000		2013/14 £'000
(4,724)	Deficit on Housing Income and Expenditure Account	(9,694)
2,785	Amounts Required by Statute to be Taken into Account (detailed below)	8,185
(1,939)		(1,509)
(1,820)	HRA Balance Brought Forward	(3,759)
(3,759)	HRA Balance Carried Forward	(5,268)

ANALYSIS OF THE MOVEMENT IN THE HRA BALANCE

2012/13 £'000	Amounts Required to be Taken Into Account	2013/14 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year	
(494)	Gain or (Loss) on Sale of HRA Fixed Assets	(1,700)
(20)	Employee Benefits adjustment	(1)
(389)	Net charges for retirement benefits in accordance with IAS 19	(474)
(8,390)	Impairment/Revaluation of Fixed Assets	(2,245)
3,164	Decent Homes Backlog Grant Financing	8,500
(6,129)		4,080
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
6,728	Transfer To/(From) Major Repairs Reserve	2,806
(20)	Right to Buy Admin Contribution	(47)
382	Employer's contributions payable to Leicestershire County Council Pension Fund	382
965	Principal Repaid on Self Financing Loans	987
24	Capital Expenditure funded by the HRA	776
835	Transfer To/(From) Reserves	(799)
8,914		4,105
2,785	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	8,185

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

H1 MOVEMENT IN DWELLING STOCK

The Council was responsible for managing an average of 4,308 dwellings during 2013/2014. The movement in the stock was as follows:-

2012/13		2013/14
4,370	Stock at 1st April	4,330
(15)	Less: Right to buy Sales	(36)
0	Less: Other Sales	(14)
0	Less: Demolitions	0
(37)	Less: Transfers out of stock	(25)
0	Less: Conversions	0
12	Add: Transfers back into stock	30
4,330		**4,285**

H2 PROPERTY TYPES IN DWELLING STOCK

The properties owned by the Council at 31st March 2014 comprise the following:-

	Flats/Maisonettes	Bungalows	Houses	Total
In stock				
Bed sits	57	4	0	61
1 Bedroom	504	325	0	829
2 Bedroom	339	472	395	1,206
3 Bedroom	6	7	2,028	2,041
4 Bedroom	0	0	144	144
5 Bedroom	0	0	4	4
	906	**808**	**2,571**	**4,285**
Transferred out of stock				
Bed sits	32	0	0	32
1 Bedroom	49	0	0	49
2 Bedroom	7	3	8	18
3 Bedroom	4	0	24	28
4 Bedroom	0	0	2	2
5 Bedroom	0	0	0	0
	92	**3**	**34**	**129**
Total	**998**	**811**	**2,605**	**4,414**

The dwellings transferred out of stock are mainly long term empty properties. However, they are still owned by the Council and are included in the value shown in note H3 below.

H3 BALANCE SHEET VALUE OF AUTHORITY'S HOUSING REVENUE ACCOUNT STOCK

2012/13 Balance £'000		2013/14 Balance £'000
141,207	Dwellings (inc garages)	150,497
482	Other Land and Buildings	494
141,689	**OPERATIONAL ASSETS**	**150,991**
1,046	Surplus Assets	802
1,046	**NON-OPERATIONAL ASSETS**	**802**
142,735	**TOTAL ASSETS**	**151,793**

The vacant possession value of dwellings within the Authority's HRA and Garages as at 31st March 2014 was £441,401,200 (31st March 2013 £412,998,500). The vacant possession value of the dwellings within the HRA show the economic cost to Government of providing Council Housing at less than open market rents.

H4 RENT INCOME

This is the total rent income due for the year after an allowance is made for empty properties/voids etc. Average rents were £71.81 per week in 2013/14 (£67.80 2012/13) there being an average increase of 5.91% (8.75% 2012/13) over the previous year. During the year 2.06% (0.84% 2012/13) of rentable properties were vacant.

Rent income can be analysed as follows:-

2012/13 £'000		2013/14 £'000
7,023	Collectable from Tenants	7,687
8,212	Rent Rebates	8,070
15,235		15,757
106	Non - Dwelling Rents	102
15,341		**15,859**

H5 RENT ARREARS

During the year total rent arrears, as a proportion of gross rent income were 1.76% (2.11% 2012/13). The arrears figures are as follows:-

2012/13 £'000		2013/14 £'000
441	Total Current and Former Tenant Arrears	480
(110)	Less: Accounts in credit	(191)
331	Net Arrears	289

Amounts written off during the year were £39,011 (£28,780 - 2012/13). At 31st March the Provision for doubtful debts stood at £381,230 (£320,618 - 2012/13).

H6 MAJOR REPAIRS RESERVE

2012/13 £'000		2013/14 £'000
(1,656)	Balance at 1st April	(2,961)
2,734	Amounts transferred to Reserve during year	(1,180)
	Amounts transferred from Reserve to finance Capital Expenditure:	
2,689	Dwellings	4,951
0	Other Property	0
(6,728)	Depreciation in excess of / (less than) MRA	(2,806)
(2,961)	**Balance at 31st March**	**(1,996)**

H7 CAPITAL EXPENDITURE & RECEIPTS

Total Capital Expenditure within the authority's HRA during the financial year was £14,227,247 (dwellings £,14.193,997 and Other Property £33,250) . The sources of funding are shown below:

2012/13 £'000		2013/14 £'000
2,689	Major Repairs Reserve	4,951
3,164	Decent Homes Backlog Grant 2012/13	526
0	Decent Homes Backlog Grant 2013/14	8,500
24	Revenue Contribution	250
30	Other Contributions	0
5,907		**14,227**

Total Capital Receipts from disposals of Council Dwellings within the authority's HRA. stock during the financial year were £ 1,697,500. Receipts totalling £325,000 were received from sales of land or other property during the financial year.

H8 DEPRECIATION OF HRA FIXED ASSETS

2012/13 £'000		2013/14 £'000
(2,834)	Dwellings (excl. garages)	1,134
44	Other Land and Buildings	46
(2,790)	**OPERATIONAL ASSETS**	1,180

H9 IMPAIRMENT OF HRA FIXED ASSETS

2012/13 £'000		2013/14 £'000
8,490	Dwellings (excl. garages)	2,244
47	Other Land and Buildings	55
8,537	**OPERATIONAL ASSETS**	2,299

H10 HRA SUBSIDY

The National Housing Subsidy regime ceased on 31st March 2012, this has now been replaced by the new 'self financing' arrangements for Local Authority Housing Revenue Accounts.

2012/13 £'000		2013/14 £'000
0	Management & Maintenance	0
0	Major Repairs Allowance	0
0	Charges for Capital	0
0	Interest on Receipts	0
0	Guideline Rent Income	0
0	**Housing element entitlement**	**0**
41	Prior year adjustment	0
41	**H.R.A. SUBSIDY ENTITLEMENT**	**0**

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2012/13 £'000		2013/14 £'000	2013/14 £'000
	INCOME		
(42,584)	Council Tax (Net of benefits, discounts for prompt payment and transitional relief)		(44,199)
	Transfers from General Fund:-		
(5,686)	- Council Tax Benefit		53
	- CTLS Discretionary		(7)
(45,399)	Business Ratepayers		(48,729)
(93,669)			(92,882)
	EXPENDITURE		
	Council Tax Precepts and Demands:-		
33,504	Leicestershire County Council	30,222	
5,480	Leicestershire Police	4,943	
1,682	Leicestershire Fire and Rescue	1,660	
6,937	N.W.L.D.C. (including Parish and Special Expenses)	6,262	
232	Contribution towards previous year's surplus	115	
108	Provision for bad/doubtful debts:- Write Offs	138	
184	Provision for bad/doubtful debts:- Provision	205	
48,127			43,545
	Non-Domestic Rates (NDR):		
44,903	Payment to National Pool	0	
0	Share of NDR - Leicestershire Pool	20,712	
0	Share of NDR - Government	22,555	
0	Share of NDR - N.W.L.D.C.	1,842	
564	Provision for bad/doubtful debts:- Write Offs	135	
(215)	Provision for bad/doubtful debts:- Provision	359	
0	Provision for appeals	3,413	
147	Costs of Collection	146	
45,399			49,162
93,526			92,707
(143)	Movement on fund - (Surplus)/Deficit for the year - Council Tax		(609)
	Movement on fund - (Surplus)/Deficit for the year - NDR		433
(156)	Collection Fund Balance at 1st April 2013 - Council Tax		(299)
0	Collection Fund Balance at 1st April 2013 - NDR		0
(299)	**Collection Fund Balance at 31st March 2014 - Council Tax**		(908)
	Collection Fund Balance at 31st March 2014 - NDR		433

NOTES TO THE COLLECTION FUND

C1 GENERAL

This Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

C2 COUNCIL TAX

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent of band D dwellings, was calculated as follows:-

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band 'D' Equivalent Dwellings
A	6,413	6/9	4,275
B	9,589	7/9	7,458
C	5,792	8/9	5,148
D	5,006	9/9	5,006
E	3,180	11/9	3,887
F	1,269	13/9	1,833
G	795	15/9	1,325
H	41	18/9	81
	32,084		29,013
Less: 2% Allowance for Valuation Appeals & Irrecoverables.			582
COUNCIL TAX BASE for 2013/14			**28,431**

C3 INCOME FROM BUSINESS RATEPAYERS

The Council collects Non-Domestic Rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn redistributes the pool back to local authorities general fund.

The total Non-Domestic Rateable Value at the 31st March 2014, was £116,540,814 (£111,219,186 - 31st March 2013).

The National Non-Domestic multiplier for the year was 47.1p (45.8p - 2012/2013).

The Small Business Rate Multiplier was 46.2p (45.0p - 2012/13).

C4 PROVISIONS

A new provision for the Councils share of potential cost of settling outstanding business rates appeals has been created as a result of the introduction of the new Business Rates Retention Scheme. As part of the new business rates retention scheme billing authorities acting as agents on behalf of major preceptors (10%) and central government (50%) and themselves are required to make a provision for refunding ratepayers who have appealed against the rateable value of their properties. Although under the scheme, the Council is able to retian a larger share of business rates locally it also now bears the risks and uncertainties linked to the level of rateable value appeals. The Council has made a provision of £1.365m in its accounts.

SPECIAL EXPENSES ACCOUNT

2012/13		2013/14	
£		£	£
	COALVILLE URBAN DISTRICT AREA		
51,848	Balance brought forward	52,039	
407,481	Collection Fund Precept	350,368	
0	Localisation Grant	66,392	
459,329			468,799
	EXPENDITURE		
357,724	Parks, Open Spaces & Allotments	358,713	
38,468	Burial Grounds	23,345	
98,508	Other Expenses	90,305	
10,000	R.C.C.O.	10,000	
(98,001)	Asset Management Revaluation Account	(99,083)	
(3,926)	Impairment	3,137	
0	Other Adjustments	(2,984)	
4,517	Contribution to Ear-Marked Reserves	4,294	
407,290			387,727
52,039	Balance carried forward		**81,072**
	HUGGLESCOTE		
7,421	Balance brought forward	10,860	
66,887	Collection Fund Precept	60,479	
0	Localisation Grant	11,261	
74,308			82,600
	EXPENDITURE		
49,836	Parks, Open Spaces & Allotments	50,016	
16,029	Burial Grounds	21,030	
4,410	Other Expenses	4,020	
(10,582)	Asset Management Revaluation Account	(10,581)	
1	Impairment	0	
0	Other Adjustments	(543)	
3,754	Contribution to Ear-Marked Reserves	3,580	
63,448			67,522
10,860	Balance carried forward		**15,078**
	WHITWICK		
21,026	Balance brought forward	16,185	
166,052	Collection Fund Precept	150,208	
0	Localisation Grant	20,622	
187,078			187,015
	EXPENDITURE		
125,976	Parks, Open Spaces & Allotments	129,192	
28,808	Burial Grounds	19,537	
4,340	Other Expenses	7,767	
(671)	Asset Management Revaluation Account	(672)	
0	Other Adjustments	(1,341)	
12,440	Contribution to Ear-Marked Reserves	9,252	
170,893			163,735
16,185	Balance carried forward		**23,280**
	COLEORTON PARISH AREA		
585	Balance brought forward	213	
2,788	Collection Fund Precept	2,644	
0	Localisation Grant	516	
3,373			3,373
	EXPENDITURE		
1,130	Parks & Open Spaces	1,280	
2,030	Burial Grounds	2,030	3,310
213	Balance carried forward		**63**
	MEASHAM PARISH AREA		
221	Balance brought forward	149	
1,728	Collection Fund Precept	1,524	
0	Localisation Grant	276	
1,949			1,949
	EXPENDITURE		
1,800	Burial Grounds		1,849
149	Balance carried forward		**100**

SPECIAL EXPENSES ACCOUNT CONT'D

2012/13 £		2013/14 £	£
	STRETTON-EN-LE-FIELD		
243	Balance brought forward	37	
1,084	Collection Fund Precept	1,027	
0	Localisation Grant	263	
1,327			1,327
	EXPENDITURE		
1,290	Burial Grounds		1,290
37	Balance carried forward		**37**
	OSGATHORPE		
327	Balance brought forward	322	
335	Collection Fund Precept	315	
0	Localisation Grant	25	
662			662
	EXPENDITURE		
340	Parks & Open Spaces		340
322	Balance carried forward		**322**
	LOCKINGTON / HEMINGTON		
1,136	Balance brought forward	1,143	
2,787	Collection Fund Precept	2,588	
0	Localisation Grant	192	
3,923			3,923
	EXPENDITURE		
1,010	Parks & Open Spaces	1,010	
1,770	Burial Grounds	2,610	3,620
1,143	Balance carried forward		**303**
	KEGWORTH		
304	Balance brought forward	278	
374	Collection Fund Precept	342	
0	Localisation Grant	58	
678			678
	EXPENDITURE		
400	Parks & Open Spaces		400
278	Balance carried forward		**278**
	RAVENSTONE		
258	Balance brought forward	244	
326	Collection Fund Precept	303	
0	Localisation Grant	37	
584			584
	EXPENDITURE		
340	Parks & Open Spaces		340
244	Balance carried forward		**244**
	OAKTHORPE & DONISTHORPE		
573	Balance brought forward	456	
3,553	Collection Fund Precept	3,157	
0	Localisation Grant	513	
4,126			4,126
	EXPENDITURE		
3,670	Parks & Open Spaces		3,670
456	Balance carried forward		**456**
	APPLEBY MAGNA		
0	Balance brought forward	0	
0	Collection Fund Precept	1,429	
0	Localisation Grant	121	
0			1,550
	EXPENDITURE		
0	Parks & Open Spaces		1,550
0	Balance carried forward		**0**

GLOSSARY OF MAIN FINANCIAL TERMS

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

BUDGET - a statement defining the council's policies over a specified period in terms of finance. Budgets usually include statements about the use of other resources (e.g. numbers of staff) and provide some information on performance measures.

BUDGET REQUIREMENT - the estimated revenue expenditure on general fund services that needs to be financed from the council tax after deducting income from fees and charges, certain specific grants and any funding from reserves. It is used to decide the criteria for capping local authority revenue expenditure.

CAPITAL EXPENDITURE (or capital spending) - section 40 of the *Local Government and Housing Act 1989* defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the local authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.

CAPITAL RECEIPTS - the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the Government, but they cannot be used to finance revenue expenditure.

COLLECTION FUND - a statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.

CONTINGENCY - money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

CONTINGENT LIABILITY – Money that may be owed, but the exact amount is unclear.

COUNCIL TAX - the main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

COUNCIL TAX BENEFIT - assistance provided by billing authorities to adults on low incomes to help them pay their council tax bill. The cost to authorities of council tax benefit is largely met by government grant.

CURRENT EXPENDITURE - running costs, including employee costs, premises costs and supplies and services, but not including debt charges.

DEFERRED CHARGE – Spending on an asset that has a lasting value but is not owned e.g. improvement grants.

DEPRECIATION – A measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset.

EARMARKED RESERVE – Money set aside for a specific purpose.

ESTIMATES - the amounts expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following year, or have been approved for the current year.

> **original estimate -** the estimates for a financial year approved by the council before the start of the financial year.
>
> **revised estimate -** an updated revision of the estimates for a financial year.

supplementary estimate - an amount, which has been approved by the authority, to allow spending to be increased above the level of provision in the original or revised estimates.

EXTERNAL AUDIT - the independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

FEES AND CHARGES - income raised by charging users of services for the facilities. For example, local authorities usually make charges for the use of leisure facilities, the collection of trade refuse, etc.

FINANCE LEASE - a lease, usually of land, or land and buildings, which is treated in the Government's capital control system as a credit arrangement as if it were similar to borrowing. Other types of lease are termed 'operating leases'.

FINANCIAL REGULATIONS - a written code of procedures approved by the authority, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative procedures and budgeting systems.

GENERAL FUND - the main revenue fund of a billing authority. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

HOUSING BENEFIT - an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefits and of the running costs of the service to local authorities. Benefit paid to the authority's own tenants is known as **rent rebate** and that paid to private sector tenants as **rent allowance**. See also **Council Tax Benefit**.

HOUSING REVENUE ACCOUNT (HRA) - local authorities are required to maintain a separate account - the HRA - which sets out the expenditure and income arising from the provision of housing. Other services are charged to the General Fund.

HRA SUBSIDY - a government grant paid to some housing authorities towards the cost of providing, managing and maintaining dwellings and paying housing benefits to tenants.

IAS 19 – A statement of recommended practice to account for the cost of pensions.

IFRS – International Financial Reporting Standards

IMPAIRMENT – A reduction in the value of an asset, arising (for example) from a significant reduction in Market Value.

LOBO – A commercial loan method of borrowing, which gives options for both parties – ("Lenders options; borrowers options").

MINIMUM REVENUE PROVISION (MRP) - the minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities, as required by the *Local Government and Housing Act 1989*.

NATIONAL NON-DOMESTIC RATE (NNDR) - a levy on businesses, based on a national rate in the pound set by the Government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities on the basis of population. Also known as 'business rates', the 'uniform business rate' and the 'non-domestic rate'.

NET EXPENDITURE - gross expenditure less specific service income, but before deduction of Revenue Support Grant.

NON-RECURRING - items that are in a budget for one year only.

OPERATING LEASE - a type of lease, usually of computer equipment, office equipment, furniture, etc which is similar to renting and which does not come within the Government's capital control system. Ownership of the asset must remain with the lessor for a lease to be classed as an operating lease.

OUTTURN - actual income and expenditure in a financial year.

PENSION FUND - an employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

PRECEPT - the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council tax payers on their behalf.

PRECEPTING AUTHORITIES - those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are 'major precepting authorities' and parish, community and town councils are 'local precepting authorities'.

PROVISIONS AND RESERVES - amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or 'balances'), which every authority must maintain as a matter of prudence.

PUBLIC WORKS LOAN BOARD (PWLB) - a central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

REVENUE SUPPORT GRANT (RSG) - a grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose. The grant makes up the difference between expenditure at SSA and the amount which would be collected in council tax for that level of expenditure (CTSS) and the amount of non-domestic rate redistributed.

SECTION 137 EXPENDITURE - under Section 137 of the *Local Government and Housing Act 1972*, local authorities are allowed to spend a limited amount to do things they are not otherwise empowered to do, but which they consider to be in the interests of residents.

SPECIFIC GRANTS - the term used to describe all government grants - including supplementary and special grants - to local authorities other than RSG, capital grants and HRA subsidy. Not to be confused with specified capital grants.

SPECIFIED CAPITAL GRANT (SCG) - certain government grants towards capital spending, for example house renovation grants. Local authorities must apply a special accounting treatment to these grants, i.e. reduce their credit approvals by the amount of the grant received. SCGs all relate to housing.

ULTRA VIRES - local authorities are empowered to do only those things authorised by statute. If they do anything not authorised by statute, that action is said to be ultra vires (i.e. beyond their powers).

VALUE FOR MONEY (VFM) - a much-used term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness (known as the 'three Es') of a local authority service, function or activity.

VIREMENT - the permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

COUNCIL'S VISION

North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home

North West Leicestershire District Council,
Council Offices, Whitwick Road, Coalville,
Leicestershire, LE67 3FJ.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 24 SEPTEMBER 2014

Title of report	**REPORT TO THOSE CHARGED WITH GOVERNANCE 2013/14**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance / Section 151 Officer 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	To consider the External Auditor's Report to Those Charged With Governance for 2013-14.
Reason for Decision	In order to approve the Letter of Representation in relation to the 2013-14 Statement of Accounts.
Council Priorities	Value for Money
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Assessment Human Rights Transformational Government	 No direct implications. None The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance. Not applicable None identified. No direct implications.
Consultees	None
Background papers	None
Recommendations	**THAT THE COMMITTEE:** **(A) NOTES THE CONTENTS OF THE EXTERNAL AUDITOR'S REPORT ATTACHED AT APPENDIX A.** **(B) APPROVES THE LETTER OF REPRESENTATION ATTACHED AT APPENDIX B.** **(C) NOTES THE EXTERNAL AUDITOR'S ONE RECOMMENDATION AND MANAGEMENT COMMENTS SET OUT IN APPENDIX 1 TO THEIR REPORT.**

1.0 BACKGROUND

1.1 The annual accounts of the authority are audited in accordance with Part II of the Audit Commission Act 1998 and, as part of that process; the External Auditor (KPMG) produces an Annual Report to Those Charged With Governance which is attached. The Director from KPMG will present his report to the Committee.

1.2 The Report states that the auditors will issue an unqualified audit report and that there are no important weaknesses in internal control. It also confirms that there are proper arrangements to secure value for money.

1.3 There is only one recommendation, concerning the clarity of some of the working papers, and the Council is confident of addressing this fully in time for the production of the 2014/15 Statement of Accounts. This is set out in Appendix 1 to the auditor's report along with the formal Management Response.

1.4 There were two audit recommendations last year and these were fully implemented:

1.4.1 Officers worked closely with elected members to ensure they were in a position to submit their Related Party Transaction returns on time. There was a 100% return for 2013/14, a clear improvement of last year when three members did not make their returns.

1.4.2 The ICT Strategy was refreshed during 2013/14. The strategy outlines technical strategy, commercial (procurement & vendor management) strategy and staffing over the period 2013/14 to 2017/18.

1.5 Appendix 2 sets out "Audit Differences". These are changes to the accounts which have been necessary as a result of the audit findings. These changes have already been incorporated in the Statement of Accounts being presented to this committee.

1.6 There is one unadjusted audit difference which is set out on page 16 of the auditors' report. The auditors have advised us not to correct this as there is uncertainy over its treatment. This impacts on debtor and creditor balances only and the auditors are satisfied that this is not a material matter.

APPENDIX A

KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2013/14

North West Leicestershire District Council

September 2014

Contents

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at North West Leicestershire District Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in February 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during March 2014 (interim audit) and August 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding of the Authority and is consistent with the financial statements.
Audit adjustments	Our audit of your financial statements has identified material adjustments, none of which impact on the overall financial position of the Comprehensive Income and Expenditure Account or Balance Sheet. The Authority also made a small number of non-trivial adjustments, most of which were of a presentational nature. For completeness, we have included a list of all material and non-trivial audit differences in Appendix 2.
Accounts production and audit process	The Authority has adequate processes in place for the production of the accounts and adequate quality supporting working papers, although there is scope for improvement. We have made a recommendation in Appendix 1. The Authority has made good progress in implementing the recommendations raised in last year's ISA 260 report. We have worked with officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately as set out on pages 5 and 6.
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems.
Completion	At the date of this report our audit work is substantially complete. However, the following matters are currently outstanding: ■ Completion of outstanding queries on certain areas of the financial statements; ■ Updated set of financial statements, including the processing of audit adjustments; and ■ Final review of audit work by the Director and final review of the updated financial statements. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.

Proposed opinion and audit differences

We have requested some material amendment.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

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Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit and Governance Committee on 24 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did identify material misstatements relating to the presentation of capital grant income in the Comprehensive Income and Expenditure Statement, and the presentation of investments and provisions in the Balance Sheet. These are classification in nature and do not alter the financial position of the Authority.

We identified material misstatements relating to the depreciation of Plant, Property and Equipment.

Appendix 2 provides further details of these amendments.

We did identify a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. These included presentational adjustments to the accounting policies and provisions disclosure, and minor adjustments to the Movement in the Reserves Statement. These have been amended.

In addition we noted an amount of £223k in relation to the Business Rates retention scheme where it is unclear what it relates to and consequently there is uncertainty over the treatment of this amount in relation to the new NNDR pooling arrangement. We have advised officers that it would not be appropriate to make amendments in relation to this item until it is clear what it is.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Key financial statements audit risks

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in March 2014, we identified the key risks affecting the Authority's 2013/14 financial statements. Since then we also added an additional risk around the accounting for the business rate retention scheme, which we have detailed below. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key audit risk	Issue	Findings
LGPS Triennial Review	During the year, the Local Government Pension Scheme for Leicestershire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Leicestershire County Council who administer the Pension Fund.	We have completed a review of the disclosures in regard to the requirements of IAS 19 and the SORP. We have also compared the entries to the information provided by the Actuary in relation to the LGPS Pension Scheme in Leicestershire. We have no matters to raise with you as a result of this work.

Key financial statements audit risks (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

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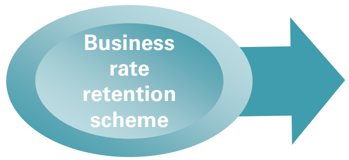
Key audit risk	Issue	Findings
	On 1 April 2013 a new system of business rate retention began which saw the Council enter into a pooling arrangement with the other Leicestershire district councils. Some of the guidance relating to the changed requirements was late in being issued. This meant that the new national arrangements and associated pooling arrangements presented new accounting challenge for all councils this year and brought a risk that NNDR income and associated accounting entries may be misstated.	We reviewed the accounting treatment for business rates and found it to be in line with the CIPFA Code of Practice. However we noted an amount of £223k in relation to the Business Rates retention scheme where it is unclear what it relates to and consequently there is uncertainty over the treatment of this amount in relation to the new NNDR pooling arrangement. We have advised officers that it would not be appropriate to make amendments in relation to this item until it is clear what it is. Due to the short term loss of a key member of staff involved in preparing the accounting entries, there was some gap in knowledge of the new system of business rate retention by the finance team. This was also impacted by the very late release of accounting guidance. We also identified that there is scope to more clearly present the NNDR working papers to avoid additional audit queries. We will discuss the way forward with officers in order to secure improvements in future years.

Accounts production and audit process

The Authority has built upon the improvements made last year addressing the recommendations raised in last year's ISA 260 report.

Officers were proactive in resolving audit queries in a reasonable time scale.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has adequate financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2014.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued on 18 February 2014, and discussed with the Finance Planning Manager, set out our working paper requirements for the audit. The quality of working papers were of an adequate standard, although there is scope for further improvement to assist the delivery of a smooth audit engagement.
Response to audit queries	Officers were proactive in resolving audit queries in a reasonable time scale.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

Two recommendations were raised in relation to the ICT Strategy and Member's annual related parties transaction returns.

The Authority has implemented both of the recommendations set out in our *ISA 260 Report 2012/13.*

Control environment

The Authority's organisation control environment is effective, and controls over the key financial systems are sound.

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During March 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

We found that your organisational control environment is effective overall.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on our own work on controls over the year end process, the controls over the financial systems are sound.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of North West Leicestershire District Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and North West Leicestershire District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance for presentation to the Audit and Governance Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

Appendix 1: Key issues and recommendations

We have given the recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

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We will formally follow up this recommendation next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❸	**Working papers** The supporting working papers to the accounts were of an adequate standard, although could be more clearly presented to avoid additional queries being raised. We will discuss with management the specific working papers which could be improved. In particular we were required to undertake additional work in relation to: • NNDR pooling arrangements. This was partly due to the lack of detailed guidance, although working papers could have more clearly set out the accounting treatment and set out the basis for journal entries. Prior to the 2014/15 audit, we would encourage an early review of the working papers to ensure that the information is accurate and there is a clear link to the financial statements.	Response We agree that in some cases there is scope for presenting working papers more clearly. We welcome the opportunity to discuss further the specific working papers involved. In respect of NNDR Pooling in particular the issue should not arise in 2014/15 as the Council is not taking part of any such arrangements, we will however take these comments on board should this change in future years. We will be reviewing our working papers at an early stage prior to commencing the closure of the 2014/15 accounts. Responsible Officer – Financial Planning Team Manager Due Date – March 2015.

Appendix 2: Audit differences

This appendix sets out the material / non-trivial corrected audit differences.

It is our understanding that this will be adjusted.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit and Governance Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of North West Leicestershire District Council's financial statements for the year ended 31 March 2014.

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
1	Dr Planning Services (Gross Income) £1,317,508 Cr Taxation and Non-Specific Grant Income £1,317,508	-	-	-	-	Under CIPFA Code of Practice capital grants should be classified in the Comprehensive Income and Expenditure Statement under the heading 'Taxation and Non-Specific Grant Income'. The Authority has incorrectly classified section 106 capital grant Income under the heading 'Planning Services' instead of 'Taxation and Non-Specific Grant Income' in the Comprehensive Income and Expenditure Statement. This does not alter the financial position of the Comprehensive Income and Expenditure Statement as the two amendments balance each other out.

Appendix 2: Audit differences (Continued)

This appendix sets out the material / non-trivial corrected audit differences.

It is our understanding that this will be adjusted.

No.	Impact					Basis of audit difference
	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
2	Cr Housing Services HRA (Gross Expenditure)/ HRA I&E £2,199,624	Dr Housing Revenue Account £2,199,624	Dr Property, Plant and Equipment £2,199,624	-	Cr Capital Adjustment Account £2,199,624	The Authority has over depreciation assets from 2010/11 to 2013/14 due to the incorrect depreciation methodology used. These differences only relate to 2013/14, See below for differences relating to 2010/11 to 2012/13.
	Dr Housing Services HRA (Gross Expenditure)/ HRA I&E £1,445,360	Cr Housing Revenue Account £1,445,360	Cr Property, Plant and Equipment £2,199,624	-	Dr Revaluation Reserve £754,264 Dr Capital Adjustment Account £1,445,360	

Appendix 2: Audit differences (Continued)

This appendix sets out the material / non-trivial corrected audit differences.

It is our understanding that this will be adjusted.

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	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
3	-	-	Dr Short Term Investments £2,000,000 Cr Cash and Cash Equivalent £2,000,000	-	-	As per the Authority's accounting policies investments are classified as cash equivalents where the maturity date is less than three months from the date of acquisition. We identified one investment within the cash and cash equivalent balance with the maturity date of more than three months. As a result the Authority has incorrectly classified this investment under cash and cash equivalent instead of short term investment. This does not alter the financial position of the Balance Sheet as the two amendments balance each other out.
4	-	-	Dr Debtors £1,498,579	Cr Provisions £1,498,579	-	Incorrect classification of the Authority's share of Provision for NNDR Appeals and provision relating to Property Search Companies as Debtors instead of Provisions on the Balance Sheet. This does not alter the financial position of the Balance sheet as the two amendments balance each other out.
	£-754,264	**£754,264**	**£1,498,579**	**£-1,498,579**	**£0**	**Total impact of adjustments**

Appendix 2: Audit differences (Continued)

This appendix sets out the material / non-trivial corrected audit differences.

It is our understanding that this will be adjusted.

Corrected prior year audit differences

The following table sets out the significant prior year audit differences identified by our audit of North West Leicestershire District Council's financial statements for the year ended 31 March 2014.

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
1	Cr Housing Services HRA (Gross Expenditure)/ HRA I&E £6,213,529	Dr Housing Revenue Account £6,213,529	Dr Property, Plant and Equipment £6,213,529	-	Cr Capital Adjustment Account £6,213,529	The Authority has over depreciation assets from 2010/11 to 2013/14 due to the incorrect depreciation methodology used. The Authority has restated its comparatives in the 2013/14 North West Leicestershire District Council's financial statements to account for the misstatements relating to 2010/11 to 2012/13.
	Dr Housing Services HRA (Gross Expenditure)/ HRA I&E £5,473,208	Cr Housing Revenue Account £5,473,208	Cr Property, Plant and Equipment £6,213,529	-	Dr Revaluation Reserve £740,321 Dr Capital Adjustment Account £5,473,208	
	£-740,321	**£740,321**	**£0**	**£0**	**£0**	**Total impact of adjustments**

Appendix 2: Audit differences (Continued)

This appendix sets out the unadjusted non-trivial audit differences.

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Unadjusted audit differences

There is one unamended non-trivial audit difference identified by our audit of North West Leicestershire District Council's financial statements for the year ended 31 March 2014. This is in relation to accounting treatment of £223k within the new NNDR pooling agreement . There is uncertainty over the treatment of this amount and it impacts on debtors and creditors balances only. We are satisfied that this is not a material matter.

Appendix 3: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit and Governance Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 3: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of North West Leicestershire District Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and North West Leicestershire District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

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Appendix B

KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

24 September 2014

Dear John

This representation letter is provided in connection with your audit of the financial statements of North West Leicestershire District Council ("the Authority") for the year ended 31 March 2014, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the expenditure and income for the year then ended;

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]

3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

4. The effects of the uncorrected misstatement is immaterial to the financial statements.

Information provided

5. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   ii) The Authority has disclosed to you all information in relation to:

      a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
         - management;
         - employees who have significant roles in internal control; or
         - others where the fraud could have a material effect on the financial statements; and
      b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:

        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,
        - have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

    This letter was tabled and agreed at the meeting of the Audit and Governance Committee on 24 September 2014.

    Yours sincerely

Chair of the Audit and Governance Committee

Head of Finance

<u>Appendix 1 to the Representation Letter of North West Leicestershire District Council: Definitions</u>

Financial Statements

IAS 1.10 states that "a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.".

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    vi. The entity is controlled, or jointly controlled by a person identified in (a).
    vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and

b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 24 SEPTEMBER 2014

Title of report	**INTERNAL AUDIT PROGRESS REPORT – AUGUST 2014**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Senior Auditor 01530 454728 anna.wright@nwleicestershire.gov.uk
Purpose of report	To inform the committee of the progress against the internal audit plan for 2014/15 and to highlight incidences of any significant control failings or weaknesses.
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	The Internal Audit planning process is based on a risk assessment methodology
Equalities Impact Assessment	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Head of Finance
Background papers	Public Sector Internal Audit Standards

Recommendations	**THAT MEMBERS NOTE THE CONTENTS OF THE REPORT.**

1.1 **INTRODUCTION**

1.1 The Public Sector Internal Audit Standards require the authority's Audit Committee to approve the audit plan and monitor progress and to receive periodic reports on the work of internal audit. The Audit and Governance Committee approved the Audit Plan on 26 March 2014.

2. TERMS OF REFERENCE

2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as set out at the extract below:
'To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to be responsible for the financial reporting process'.

3. PROGRESS REPORT

3.1 The Internal Audit Progress Report for the period to the end of August 2014 is attached at Appendix 1.

Appendix 1

INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report: August 2014

1. Introduction

1.1 The assurances received through the Internal Audit programme is a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight the progress against the Internal Audit Plan up to the end of August 2014.

2. Purpose of Internal Audit

2.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening the control environment, and therefore contribute to the achievement of the organisation's objectives.

2.2 This is achieved through Internal Audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

3. Authority of Internal Audit

3.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2011, the Internal Audit Charter and the Council's Constitution. The Financial Regulations, which are part of the Constitution, sets out that 'Internal Audit has authority to:

- a) enter any Council owned or occupied premises or land at all times (subject to any legal restrictions outside the Council's control);
- b) have access at all times to the Council's records, documents and correspondence;
- c) require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
- d) require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
- e) The Senior Auditor shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

4 Responsibility of Internal Audit

4.1 Internal Audit will have the responsibility to review, appraise and report as necessary on:

- a) the adequacy and effectiveness and application of internal controls and processes and systems;
- b) the extent of compliance with Financial Regulations and Standing Orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
- c) the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

5 Independence of Internal Audit

5.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made.

5.2 If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to senior management and the Audit and Governance Committee. There are no impairments to report to senior management and the Audit and Governance Committee for the current financial year.

6 Internal Audit Plan Update

6.1 A progress report against the 2014-15 Internal Audit plan is documented in Appendix A. Five audits have been completed and a further three are in progress.

6.2 An Executive Summary of all reports issued since the progress report in May 2014 are documented in Appendix B.

6.3 The Internal Audit plan needs to be flexible in order to reflect current issues and resource requirements. There has been a number of changes to the Internal Audit plan approved in March 2014 and details are documented in the ‘comments’ column in Appendix A.

7 Internal Audit Recommendations

7.1 Internal Audit monitors and follows up all medium and high risk recommendations. Appendix C lists all outstanding recommendations along with a status update. Five recommendations outstanding have not been implemented by the agreed target date. Non implementation of recommendations exposes the council to risks within the internal control environment as highlighted within the internal audit report.

8 Internal Audit Performance Indicators

8.1 Period 5 performance information for Internal Audit in relation to its team plan actions and performance indicators is documented in Appendix D.

9 Public Sector Internal Audit Standards (PSIAS) Action Plan Update

9.1 The agreed action plan to ensure conformance (where deemed necessary) with the PSIAS is documented in Appendix E, along with a status update. All of the actions are on target to be implemented by the agreed date.

Appendix A

2014/15 Audit Plan Progress: May 2014 (In-house Audit Team Audits)

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Business Rates Retention	Risk Based	6.0	5.5	Final Report Issued	Grade 1	-	-	-	-	Audit undertaken by agency auditor.
Capital	Key Financial System	5.0	0.0	Audit removed from plan	-	-	-	-	-	Audit no longer required
Cash and Bank	Key Financial System	6.0	3.7	In Progress						
Contracts and Procurement	Risk Based	6.0	0.1	Scheduled for Qtr 3						Moved from Quarter 1 at the request of the Head of Finance
Creditors	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Debtors	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Decent Homes Improvement Programme	Risk Based	10.0	8.5	Draft Report Issued	Grade 2	-	1	-	-	
Ethics	Assurance	0.0	0.0	Removed from plan						Testing included within the Governance audit
Fraud	Assurance	8.0	8.0	In Progress						Audit undertaken by agency auditor.
Governance & Ethics	Assurance	10.0	9.6	In Progress						Audit now includes Ethics and number of days have increased.
Grant Income	Key Financial System	5.0	0.0	Scheduled for Qtr 4						
Housing – Other Capital Works	Risk Based	8.0	0.1	Scheduled for Qtr 2						Moved from Quarter 1 at the request of the Head of Housing
ICT Security/Back Up	Key Financial System	2.0	0.0	Scheduled for Qtr 4						
Information Sharing	Risk Based	6.0	0.0	Scheduled for Qtr 3						
Main Accounting	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Payroll	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Performance Management	Assurance	6.0	0.0	Scheduled for Qtr 4						Moved from Quarter 4 at the request of the Head of Legal and Support Services
Planned Housing Maintenance	Risk Based	8.0	7.5	Final Report Issued	Grade 2	2	-	-	-	
Planning Policy/Local Plan	Risk Based	6.0	0.6	Engagement Planning						
Rent Accounting	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Risk Management	Assurance	8.0	0.0	Scheduled for Qtr 3						

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Sunbed Policy	Risk Based	4.0	4.0	Draft Report Issued	Grade 2	3	-	-	-	Additional audit requested by the Head of Community Services.
Treasury Management	Key Financial System	6.0	5.8	Final Report Issued	Grade 1	-	-	-	-	Audit undertaken by agency auditor.

KEY

Assurance Levels:

Grade 1 **Internal Controls are adequate in all important aspects**
Grade 2 **Internal Controls require improvement in some areas**
Grade 3 **Internal Controls require significant improvement**
Grade 4 **Internal Controls are inadequate in all important aspects**

Recommendations:

H **High Priority**
M **Medium Priority**
L **Low Priority**
A **Advisory**

Appendix B

EXECUTIVE SUMMARY OF FINAL INTERNAL AUDIT REPORTS ISSUED BETWEEN JUNE 2014 AND AUGUST 2014

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
Business Rates Retention	Corporate	Head of Finance	Grade 1	None identified	-	-	-	-
Planned Housing Maintenance	Housing	Head of Housing Repair and Investment Team Manager	Grade 2	All staff with responsibility for ordering goods and services should be given enhanced induction training covering Contract Procedure Rules and Financial Regulations. The workload of the Repairs Client Team Leader should be reviewed by management and appropriate measures considered and implemented.	2	-	-	-
Treasury Management	Corporate	Head of Finance	Grade 1	None identified	-	-	-	-

Appendix C

Recommendations Tracker – Outstanding High & Medium Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2012/13 Reports								
13	Payroll	5	The outstanding processes for the activation of the suspense account functionality for payroll costing codes should be completed as soon as possible.	High	Financial Team Manager	April 2013 Revised date: Oct 2013 March 2014 June 2014 Sept 2014	In Progress (overdue)	Financial Team Manager comments: We have carried out testing and the process is working as it should. We have now asked Consilium to activate this module.
2013/14 Reports								
6	Risk Management	2	Regular reports should be taken to the Cabinet and Audit Committees to provide assurance that risks are being managed appropriately.	High	Head of Finance as Chair of RMG	January 2014 Revised Date: July 2014 Dec 2014	In Progress (overdue)	Head of Finance comments: The Risk Management Strategy was agreed by Cabinet on 29 July and is on this Audit and Governance Committee agenda. From Q2 risk updates will be reported to Cabinet and the Audit and Governance Committee.
		3	The Corporate Risk Register Action Plan should be generated as set out in the Risk Management Strategy.	High	Head of Finance as Chair of RMG	January 2014 Revised Date: April 2014 Dec 2014	In Progress (overdue)	Head of Finance comments: This will be implemented from Q2 (please see recommendation 2 above).
10	Housing Maintenance	5	The specification for the new mobile working system should include the capability to transfer details of materials ordered and used to the Capita Housing Maintenance system and should be introduced as soon as possible.	High	Project Officer (HRA BP)	Est August 2014 Revised Date: Sept 2014	In Progress	Repairs and Investment Team Manager Comments: Oneserve will hold a record of all parts ordered and used by job and operative. All parts ordered will be generated against a PO with a GRN raised to match. Revised Go-live date is 29th September 2014.

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
16	Payroll	3	Selima should provide evidence of their internal processes that ensure all data supplied by NWLDC is entered into the payroll system and accurately reflects the input received from NWLDC and any legislative requirements relating to the input; once these processes have finished Selima will notify NWLDC prior to authorisation of the submission of the BACS file making the payroll payments.	High	Head of Finance	August 2014	In Progress (overdue)	Head of Finance comments: There has been a further meeting with the service provider, Selima, to clarify their internal processes and they have undertaken to provide documentation by the end of September 2014.
		4	The exception reports should be redesigned to ensure they are fit for purpose and the Senior Exchequer Services Officer and a Senior Human Resources Advisor should formally accept the revised Selima exception reports prior to authorisation of the submission of the BACS file making the payroll payments.	High	Senior Exchequer Services Officer & Human Resources Team Manager	September 2014	In Progress	Financial Team Manager comments: We are working with the Selima to agree improved exception reports by the end of September.
		5	The draft service level agreement prepared by Selima should be redrafted with more performance targets identified. Until this happens it would be sensible to have formal recording of issues maintained by NWLDC and Selima with monthly exchange of such detail	High	Head of Finance	August 2014	In Progress (overdue)	Financial Team Manager comments: Issues are recorded and raised every month. In addition the Head of Finance holds quarterly meetings where concerns are raised as necessary. The SLA is being updated as part of retendering the service from April 2015.
17	ICT Security & Back Up Controls	1	ICT staff should only create a network user account on receipt of a properly authorised network access request and ensure that access rights are disabled for any user where notification is received that the user no longer requires network access.	High	ICT Team Manager	December 2014	In Progress	ICT Team Manager Comments: Process is in place – January test is to reconcile active accounts with HR records to ensure process is working

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
		3	ICT in conjunction with Departmental managers should review the network access for staff under their control on an annual basis and the ICT Service Desk staff should ensure that managers authorise the required data areas for any user that has a change of role necessitating a variation in their access rights.	High	ICT Team Manager	March 2015	In Progress	ICT Team Manager Comments: To be addressed as part of the preparation for the 2014-15 PSN submission
		4	The ICT Team Manager should expedite the introduction of the proposed revised backup arrangements and perform a disaster recovery test at the earliest opportunity.	High	ICT Team Manager	December 2014	In Progress	ICT Team Manager Comments: New backup solution implemented and being tested onsite at council offices before being relocated offsite. In the meantime, tape backups still being done.
2014/15 Reports								
1	Planned Maintenance	1	All staff with responsibility for ordering goods and services should be given enhanced induction training covering Contract Procedure Rules and Financial Regulations. .	High	Repairs & Investments Team Manager	October 2014	In Progress	Repairs and Investment Team Manager comments: Training to be delivered by the end of October 2014.
		2	The workload of the Repairs Client Team Leader should be reviewed by management and appropriate measures considered and implemented.	High	Repairs & Investments Team Manager	October 2014	In Progress	Repairs and Investment Team Manager comments: Responsive Repairs Manager meeting with Client Team 5/9/14.

Appendix D

Internal Audit Performance: August 2014

Performance Measures:

Performance Measure	2014-15 Qtr 2 Target	Position as at 31.08.14	Comments
Delivery of Audit Plan – Key Financial Systems	20%	11%	Treasury Management audit completed and Cash and Bank in progress. Target will be achieved for the quarter.
Delivery of Audit Plan – Non Key Financial Systems	84%	33%	Four audits have been completed and another two will be completed by the end of the quarter. The estimated outcome is 50%. A number of audits have been moved to later in the year at the request of the Head of Service. Audit resources were used to complete the 2013/14 audit plan during Quarter 1.
Percentage of time spent on audit work	75%	81%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	n/a	Customer satisfaction surveys to be issued in October 2014.
Compliance with the Internal Audit Standards	n/a	n/a	Annual target.
Compliance testing of completed recommendations	90%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 2 Milestone	Position as at 31.08.14
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Conclude review of Health and Safety risk assessments for all service areas	On Target Health and Safety Risk assessment in progress.
Undertake audits as per agreed Audit Plan.	Complete audits of 7 systems to enable the completion of the audit plan	On Target Five audits have been completed and a further three are in progress.
Provide the Audit Committee with quarterly reports on the work and performance of internal audit.	Progress report to September Audit Committee	On Target
Achievement of the PSAIS	Completion of action plan targets	On Target PSIAS Action Plan and status report documented in Appendix E.
Produce the 2013/14 Annual Audit Opinion Report by 30th June 2014	No action for Quarter 2.	-
Produce and have approved the 2015/16 Internal Audit Plan by 31st March 2015.	No action for Quarter 2	-

Appendix E

Public Sector Internal Audit Standards (PSIAS) – Action Plan

Action		Target Date	Status
1	Set-up quarterly meetings with the Chair of the Audit Committee.	28th February 2014	Implemented
2	Develop comprehensive performance targets for Internal Audit.	28th February 2014	Implemented
3	Review the format of the Engagement Plan (Terms of Reference) to ensure conformance with the PSIAS.	28th February 2014	Implemented
4	Review the format of the Engagement Programme (Audit Programme) to ensure conformance with the PSIAS.	28th February 2014	Implemented
5	Update the Internal Audit Report format to ensure conformance with the PSIAS.	28th February 2014	Implemented
6	Update the issuing of reports and the monitoring and follow up of management actions process.	28th February 2014	Implemented
7	Produce a risk based annual audit plan.	31st March 2014	Implemented
8	Update the Progress Report to Managers and Audit Committee Members to ensure conformance with the PSIAS.	31st March 2014	Implemented
9	Update the Declaration of Interest Form for Internal Audit Staff.	31st March 2014	Implemented
10	The Senior Auditor to provide the Internal Auditors with training in relation to the Bribery Act 2010	31st March 2014	Implemented
11	Review the Annual Internal Audit Opinion Report to ensure conformance with the PSIAS.	31st May 2014	Implemented
12	The Head of Finance to obtain feedback on the performance of the Chief Audit Executive from the Chief Executive, the Chair of the Audit Committee and Blaby District Council as part of the appraisal process.	31st May 2014	Implemented
13	Undertake a self-assessment against the PSIAS.	30th June 2014	Implemented
14	Agree the process for the acceptance and authorisation of consulting engagements.	30th June 2014	Implemented
15	Develop a Quality Assurance and Improvement Programme.	30th September 2014	In Progress
16	Review and update the job descriptions and personal specifications for Internal Audit Staff.	30th September 2014	In Progress
17	Assess the collective skills, knowledge and competencies of the Internal Audit Team.	31st December 2014	
18	Develop a programme of continuing professional development	31st December 2014	
19	Update the Internal Audit manual.	31st December 2014	
20	Review the computer assisted audit techniques available and access whether they could be used to perform audit testing.	31st December 2014	
21	Undertake an assurance mapping exercise.	31st January 2015	
22	Produce an Internal Audit Strategy in conformance with the PSIAS.	28th February 2015	
23	Produce a risk based annual audit plan in conformance with the PSIAS.	28th February 2015	
24	Undertake a fraud evaluation of the authority.	31st March 2015	

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 24 SEPTEMBER 2014

Title of report	**TREASURY MANAGEMENT STEWARDSHIP REPORT 2013/14**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk Finance Team Manager 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk
Purpose of report	To inform Members of the Authority's Treasury Management activity undertaken during the financial year 2013/14.
Council Priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.
Link to relevant CAT	Could impact upon all Corporate Action Teams.
Risk Management	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice.
Equalities Impact Assessment	Not applicable
Human Rights	Not applicable
Transformational Government	Not applicable
Consultees	None

Background papers	Treasury Management Strategy Statement 2013/14 and 2014/15 – Council Meeting 26 February 2013 (presented as part of the Budget and Council Tax 2013/14 Report) Budget and Council Tax 2014/15 Report http://minutes-1.nwleics.gov.uk/CeListDocuments.aspx?CommitteeId=129&MeetingId=431&DF=26%2f02%2f2013&Ver=2 Report to Audit and Governance Committee – 25 September 2013 Treasury Management Activity Report - April to August 2013 http://minutes-1.nwleics.gov.uk/CeListDocuments.aspx?CommitteeId=125&MeetingId=265&DF=25%2f09%2f2013&Ver=2 Report to Audit and Governance Committee – 11 December 2013 Treasury Management Activity Report - April to November 2013 http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=125&MId=148&Ver=4 Report to Audit and Governance Committee – 26 March 2014 Treasury Management Activity Report – April 2013 to February 2014 http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=125&MId=149&Ver=4
Recommendations	**THAT MEMBERS APPROVE THIS REPORT.**

1.0 BACKGROUND

1.1 The Authority's Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the code"), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.

1.2 This report fulfils the Authority's legal obligation under the Local Government Act 2003, to have regard to both the CIPFA Code and the CLG Investment Guidance.

1.3 Treasury Management is defined as "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4 The Authority's current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt rescheduling Strategy, Annual Investment Strategy, Prudential Indicators and Annual Minimum Revenue Position Statement for 2013-14 were approved by Council on 26 February 2013.

1.5 The Treasury Management Stewardship Report is supplemented by three in-year reports to the Audit and Governance Committee on 25 September 2013, 11 December 2013 and 26 March 2014.

2.0 THE U.K. ECONOMY AND EVENTS

- The UK economy showed stronger than anticipated activity and growth. GDP in Q4 2014 showed year-on-year growth of 2.7%. Much of the improvement was due to the service sector and an increase in household consumption buoyed by the pick-up in housing transactions. This was driven by higher consumer confidence, greater availability of credit and strengthening house prices.
- Business Investment had yet to recover convincingly and the recovery was not accompanied by meaningful productivity growth.
- CPI fell from 2.8% in March 2013 to 1.7% in February 2014, the lowest rate since October 2009. This was helped largely by the easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates.
- Unemployment fell from 7.8% in March 2013 to 7.2% in January 2014 but this hid a stubbornly high level of underemployment. Real wage growth (after inflation) remained negative.
- The Bank of England implied that when official interest rates were raised, the increases would be gradual – this helped underpin the ‘low for longer’ interest rate outlook, despite the momentum in the economy.

3.0 THE AUTHORITY’S TREASURY POSITION.

3.1 The Authority’s gross / net debt and investment positions are as follows:

DEBT	**Balance at 01/4/2013 £m**	**%**	**Maturing loans £m**	**Premature redemptions £m**	**New Borrowing £m**	**Balance at 31/03/2014 £m**	**%**
Long-term fixed rate	£88.510m	100	£0.987m	£0.000m	£0.000m	£87.523m	100
Long-term variable rate	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Temporary Borrowing	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Total borrowing	**£88.510m**	**100**	**£0.987m**	**£0.000m**	**£0.000m**	**£87.523m**	**100**
Other long-term liabilities	£0.149m		£0.013m	£0.000m	£0.000m	£0.136m	
TOTAL EXTERNAL DEBT	**£88.659m**		**£1.000m**	**£0.000m**	**£0.000m**	**£87.659m**	
INVESTMENTS	**Balance at 01/4/2013 £m**	**%**	**Maturities £m**	**Sales £m**	**New Investment s £m**	**Balance at 31/03/2014 £m**	**%**
Internally Managed	£14.053m	100	£143.926m	£0.000m	£150.601m	£20.728m	100
Investments with maturities up to 1 year,	£14.053m	100	£143.926m	£0.000m	£150.601m	£20.728m	100
Investments with maturities in excess of 1 year	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Externally Managed Investments	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
TOTAL INVESTMENTS	**£14.053m**		**£143.926m**	**£0.000m**	**£150.601m**	**£20.728m**	
NET DEBT	**£74.606m**					**£66.931m**	

3.2 Two PWLB loans, taken out as part of the self-financing system of Council Housing in 2011/12, were on an annuity basis and have repayment of principal included. This is shown in the table in the column ‘Maturing Loans’.

3.3 In 2013/2014, the capacity for investment has increased by £6.7m. The volatility of balances is normal throughout the year and a number of factors contribute to this:

a) The Authority traditionally benefits from the receipt of Council Tax and Business Rates during the first ten months of the financial year;
b) Revenue expenditure is more evenly weighted throughout the financial year;
c) Capital expenditure is more heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.
d) The patterns of income and expenditure are reflected in the Authority’s cash flow projections. This is monitored and revised daily.

3.4 The increased capacity for investment is: in part due to the allocation of the Decent Homes Grant (£7.3m) which is offset by increased expenditure on the Decent Homes Improvement Programme; sales of houses under the ‘Right to Buy’ scheme and other Housing property in 2013/14 (£2m) and the timing of income and expenditure.

4.0 BORROWING ACTIVITY.

4.1 The Authority’s Borrowing Strategy 2013/14, approved by Council on 26 February 2013, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Authority’s Prudential Indicators.

4.2 No existing loans requiring replacement matured during 2013/14.

4.3 The Authority did not undertake any new long-term borrowing during the year and interest payments totalling £2.94m were made in respect of existing debt.

4.4 The Authority’s cash flow remained positive during the period. The Authority did not require any temporary loans during the period.

4.5 The Authority has approximately £3.4m of internal debt at 31 March 2014 as this is currently judged to be the most cost effective means of funding the capital programme.

4.6 The Minimum Revenue Provision (MRP) charge that was made to the revenue account for 2013/14 was £1.6m and includes both Housing (£0.987m) and General Fund (£0.617m). The MRP is intended to ensure that the capital financing debt is paid off over the longer term.

5.0 DEBT RESCHEDULING ACTIVITY.

5.1 The Authority’s Debt Rescheduling Strategy 2013/14, which was approved by Council on 26 February 2013, establishes a flexible approach where the rationale for rescheduling could be one or more of the following:

- Savings in interest costs with minimal risk.

- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

5.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the Authority has undertaken no debt rescheduling activity during the period.

5.3 The Authority's portfolio of fourteen loans - eight PWLB loans and four market loans - will continue to be monitored for debt rescheduling opportunities that comply with the Authority's Policy and rationale.

6.0 INVESTMENT ACTIVITY

6.1 The Authority's Investment Policy and Strategy 2013/14, which was approved by Council on 26 February 2013, established that the major policy objective is to invest its surplus funds prudently.

6.2 The Authority's investment priorities are:
- Security of the invested capital;
- Sufficient liquidity to permit investments; and,
- Optimum yield which is commensurate with security and liquidity.

6.3 The counterparties that the Authority currently utilise all meet the criteria set out in the Treasury Management Strategy Statement 2013/14 and are monitored by the Authority's Treasury Management Advisors. The minimum long term rating for counterparties is A- or equivalent. The counterparties and amounts invested at 31 March 2014 are shown below:

Counterparty	**£m**
Goldman Sachs MMF	1.1
CCLA Investment Management Ltd MMF	0.5
HSBC	2.2
Lloyds Banking Group / Bank of Scotland	2.5
Nationwide Building Society	2.0
Santander	3.0
Close Brothers Ltd	3.0
Handelsbanken	2.5
Black Rock MMF	1.9
Staffordshire Moorlands District Council	2.0
Total Invested	**20.7**

6.4 The average rate of return on the Authority's investment balances during the year was 0.566%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) for 2013/14 was 0.35%. The average 7 day London Interbank Offered Rate (LIBOR) for 2013/14 was 0.48%. The comparison of rates of return against a benchmark is less relevant when set against the ultimate priority of Security as set out in the Authority's Treasury Management Strategy Statement 2013/14.

6.5 The Authority budgeted to achieve £68,000 of income from its investment activity in 2013/14. The average cash balances representing the Authority's reserves, capital receipts and working balances were £20m during the year (2013/13 £14.3m). The total interest earned on investments was £111,957 (2012/13 £74,667). Of this total interest, £15,333 is applied to balances held on external income (2012/13 £7,980). This external income represents balances from S106 contributions for schemes such as Healthcare, affordable housing and recreation that have not yet been spent.

6.6 The remaining balance of interest (£96,623) received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on an estimated cash flow position. For 2013/14, the budgeted investment income is apportioned as follows: £43,000 General Fund and £25,000 Housing Revenue Account and the over achievement of interest is apportioned on this basis. The outturn position of investment income achieved for 2013/14 is: £61,100 General Fund and £35,523 HRA.

7.0 THE AUTHORITYS' BANKER

7.1 Co-op Bank is currently the Authority's banker and will, until such time that a new banking arrangement is in place, continue to be used for operational and liquidity purposes. However, the Co-op has indicated that it is exiting the Local Government market and the Authority remains on high alert for signs of regulatory action occurring with the bank.

7.2 The Authority has put in place contingency banking arrangements with Lloyds Bank to enable the Authority to continue making and receiving payments should the Co-op cease operations.

7.3 In addition, with weekends the most likely time for regulatory action to occur, and with the bail-in system whereby the Authority would be an 'unsecured creditor', in order to mitigate this risk, the Authority makes every effort to keep the ledger balance in the bank account at close to zero at the close of each business day by following the Authority's existing treasury management practices. To supplement the actions already being taken, an additional secondary daily check has commenced to further mitigate the risks outlined.

8.0 SUMMARY

8.1 The Authority can confirm that it has complied with its Prudential Indicators for 2013/14, which were approved on 26 February 2013 as part of the Authority's Treasury Management Strategy Statement.

8.2 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary report of the Treasury Management activity during 2013/14. No indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

8.3 The Authority can confirm that during 2013/14, it has complied with its Treasury Management Strategy Statement, policies and Treasury Management Practices.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 24 SEPTEMBER 2014

Title of Report	**TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO AUGUST 2014**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk Finance Team manager 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk
Purpose of Report	To inform Members of the Authority's Treasury Management activity undertaken during the period April 2014 to August 2014.
Reason for Decision	To ensure that Members are informed of the Authority's Treasury Management activity during the financial year and have the opportunity to scrutinise that activity.
Council Priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority
Link to relevant CA	Could impact upon all Corporate Action Teams.
Risk Management	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice.
Equalities Impact Assessment	Not Applicable

Human Rights Transformational Government	Not Applicable Not Applicable
Consultees	None
Background Papers	Treasury Management Strategy Statement 2014/15 – Council Meeting 25 February 2014 (presented as part of the Budget and Council Tax 2014/15 Report) http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=129&MId=160&Ver=4 Update on HRA Budget, Housing Capital Programme 2014/15, Treasury Management Strategy Statement for 2014/15, Prudential Indicators - Council Meeting 25 March 2014 http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=129&MId=161&Ver=4 Additional Costs Of the Decent Homes Improvement Programme 2014/15 and updated HRA Business Plan – Council Meeting 16 September 2014. http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=129&MId=1344&Ver=4
Recommendations	**THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.**

1.0 BACKGROUND

1.1 The Authority's Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the code"), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.

1.2 Treasury Management is defined as "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.3 The Authority's current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt rescheduling Strategy, Annual Investment Strategy, Prudential Indicators and Annual Minimum Revenue Position Statement for 2014-15 were approved by Council on 25 February 2014.

1.4 The Prudential Indicators have been updated on 04 March 2014 due to the changes to the Housing Capital Programme as reported.

1.5 An additional update on the Prudential Indicators has been undertaken on 29 July 2014 following the review of the Decent Homes Programme.

1.6 This report is the first in-year report of 2014/15, to inform Members of the Authority's treasury activity and enable scrutiny of activity and performance. It supplements the annual Treasury Stewardship Report, which will be presented to this Committee and Cabinet as soon as possible after the end of the financial year.

2.0 SCOPE

2.1 This report:

a) Has been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
b) Presents details of capital financing, borrowing, debt rescheduling and investment transactions;
c) Gives details of the treasury management transactions for the period April to August 2014;
d) Confirms compliance with treasury limits and Prudential Indicators.

3.0 THE U.K. ECONOMY AND EVENTS.

- The recent strong performance of the UK economy continued with output growing at preliminary estimate of 0.8% in Quarter 2 of 2014, with the service sector dominating 0.77% of this.
- The labour market continues to improve with unemployment rate falling to 6.4%. Employment growth was masked by a large number of zero-hour contracts and working part-time involuntarily
- CPI inflation for July fell to 1.6% year-on-year from 1.9%. Clothing and footwear drove the most recent fall, as it seemed the timing of summer sales have shifted.
- There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively.

4.0 THE AUTHORITY'S TREASURY POSITION.

4.1 The Authority's gross / net debt and investment positions are as follows:

DEBT	**Balance at 01/4/2014 £m**	**%**	**Maturing loans £m**	**Premature redemptions £m**	**New Borrowing £m**	**Balance at 31/08/2014 £m**	**%**
Long-term fixed rate	£87.523	100	£0.00m	£0.000m	£0.000m	£87.523m	100
Long-term variable rate	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Temporary Borrowing	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Total borrowing	**£87.523m**	**100**	**£0.000m**	**£0.000m**	**£0.000m**	**£87.523m**	**100**
Other long-term liabilities	£0.136m		£0.000m	£0.000m	£0.000m	£0.136m	
TOTAL EXTERNAL DEBT	**£87.659m**		**£0.000m**	**£0.000m**	**£0.000m**	**£87.659**	
INVESTMENTS	**Balance at 01/4/2014 £m**	**%**	**Maturities £m**	**Sales £m**	**New Investment s £m**	**Balance at 31/08/2014 £m**	**%**

Internally Managed	£20.728	100	£57.239	£0.000m	£61.693	£25.182	100
Investments with maturities up to 1 year,	£20.728	100	£57.239	£0.000m	£61.693	£25.182	100
Investments with maturities in excess of 1 year	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Externally Managed Investments	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
TOTAL INVESTMENTS	**£20.728m**		**£57.239m**	**£0.000m**	**£61.693m**	**£25.182**	
NET DEBT	**£66.931m**					**£62.477m**	

4.2 The investment position varies throughout the year as it is dependent upon cash flow. Examples of significant areas that can impact on cash flow are collection of Council Tax, Business Rates, grants, capital receipts, payments to other precepting authorities or central government and interest on treasury activity.

4.3 In the period April 2014 to August 2014, the capacity for investment has currently increased by £4.45m. The volatility of balances is normal throughout the year and a number of factors contribute to this:

a) The Authority traditionally benefits from the receipt of Council Tax and Business Rates more during the first ten months of the financial year;
b) Revenue expenditure is more evenly weighted throughout the financial year;
c) Capital expenditure is more heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.
d) The patterns of income and expenditure are reflected in the Authority's cash flow projections. This is monitored and revised daily.

4.4 The current increased capacity for investment is expected to decrease in March 2015 and this is in line with the Authority's experience.

5.0 BORROWING ACTIVITY.

5.1 The Authority's Borrowing Strategy 2014/15, approved by Council on 25 February 2014, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Authority's Prudential Indicators.

5.2 The Authority's revised estimated borrowing requirement for the current financial year is £1.24m. In the two subsequent financial years this is estimated to be £0.749m in 2015/16 and £0.908m in 2016/17. This is was reported in the Additional Costs of the Decent Homes Improvement Programme 2014/15 – Appendix 4, to Council on 25 March 2014.

5.3 The Authority has not undertaken any new long-term borrowing during the period.

5.4 A market loan with a value of £1m is due to be repaid. This loan had an interest rate of 7.99%.

5.5 The Authority's cash flow remained positive during the period. The Authority did not require any temporary loans during the period.

6.0 DEBT RESCHEDULING ACTIVITY.

6.1 The Authority's Debt Rescheduling Strategy 2014/15, which was approved by Council on 25 February 2014, establishes a flexible approach where the rationale for rescheduling could be one or more of the following:

- Savings in interest costs with minimal risk.
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

6.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the Authority has undertaken no debt rescheduling activity during the period.

6.3 The Authority's portfolio of fourteen loans - eight PWLB loans and four market loans - will continue to be monitored for debt rescheduling opportunities that comply with the Authority's Policy and rationale.

7.0 INVESTMENT ACTIVITY.

7.1 The Authority's Investment Policy and Strategy 2014/15, which was approved by Council on 25 February 2014, established that the major policy objective is to invest its surplus funds prudently.

7.2 The Authority's investment priorities are:

- Security of the invested capital;
- Sufficient liquidity to permit investments; and,
- Optimum yield which is commensurate with security and liquidity.

7.3 The counterparties that the Authority currently utilise all meet the criteria set out in the Treasury Management Strategy Statement 2014/15 and are monitored by the Authority's Treasury Management Advisors. The minimum long term rating for counterparties is A- or as advised by our Treasury Management Advisers. The counterparties and amounts currently invested are shown below:

Counterparty	Length of Investment	£m
Goldman Sachs MMF	Overnight	3.5
CCLA Investment Management Ltd MMF	Overnight	1.0
HSBC	Overnight	1.9
Lloyds Banking Group / Bank of Scotland	Overnight	2.4
Barclays Treasury Direct	3 Months	2.7
Nationwide Building Society	364 days	2.0
Santander	Overnight	3.0
Staffordshire Moorland	3 Years	2.0

Handelsbanken	Overnight	2.6
Black Rock MMF	Overnight	1.0
Greater London Authority	3 Years	3.0
Total Invested		**25.1m**

7.4 The average rate of return on the Authority's investment balances during the period was 0.635%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) for the period to the end of August 2014 was 0.35%. The average 7 day London Interbank Offered Rate (LIBOR) for the period to the end of August 2014 was 0.47%. The comparison of rates of return against a benchmark is less relevant when set against the ultimate priority of Security as set out in the Authority's Treasury Management Strategy Statement 2014/15.

7.5 There were 84 investments made during the period, totalling £61.7m. The average balance held for the period was £24.4m.

7.6 Short term interest rates remain low resulting in a lengthening of investment periods, where cash-flow permits, in order to lock in higher rates of return. Two fixed term investments of £2.7m and £3m were taken out during the period. One fixed term investment of £3m has matured during the period. The Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority.

7.7 The Authority has budgeted to achieve £68,000 of income from its investment activity in 2014/15. Investment activity from April to August 2014 has achieved £35,636 in interest. The current forecast that is estimated to be achieved is £171,000. Of this total, an element is applied to balances held on external income. This external income represents balances from S106 contributions that have not yet been spent. The estimated amount forecast to be applied is approximately £26,000, subject to the balances remaining at the end of the financial year.

7.8 The estimated remaining balance of interest (£145,000) received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on the estimated cash flow position. For 2014/15, the budgeted investment income is apportioned as follows: £43,000 General Fund and £25,000 Housing Revenue Account. Any over or under achievement of interest is apportioned on this basis and the current forecast is anticipated to be £92,000 General Fund and £53,000 HRA.

7.9 All investments made during the period complied with the Authority's agreed Annual Investment Strategy, Treasury Management Practices, Prudential Indicators and prescribed limits.

8.0 **SUMMARY**

8.1 For the period April 2014 to August 2014, the Authority can confirm that it has complied with its Prudential Indicators, which were approved on 25 February 2014 as part of the Authority's Treasury Management Strategy Statement.

8.2 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary report of the Treasury Management activity for the period April 2014 to August 2014. No indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

8.3 The Authority can confirm that during the period April 2014 to August 2014, it has complied with its Treasury Management Strategy Statement, policies and Treasury Management Practices.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 24 SEPTEMBER 2014

Title of report	**RISK MANAGEMENT STRATEGY**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicesterhire.gov.uk Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	To receive the revised Risk Management Strategy approved by Cabinet on 29 July 2014.
Reason for Decision	Having an up to date Risk Management Strategy will asssit in the implementation of Council Delivery Plans and improve Value For Money.
Council Priorities	Value for Money
Implications:	
Financial/Staff	The Council manages its risks within its existing budgets. Effective risk management reduces the number of insurance claims which can have a positive impact on the premium paid.
Link to relevant CAT	Not applicable
Risk Management	Risks have been considered and are covered within the policy
Equalities Impact Assessment	Not applicable
Human Rights	Not applicable
Transformational Government	Not applicable
Consultees	Zurich (Council's insurer)
Background papers	None
Recommendations	**THAT THE AUDIT COMMITTEE RECEIVES THE REVISED RISK MANAGEMENT STRATEGY ATTACHED AT APPENDIX 1**

1.0 BACKGROUND

1.1 The Risk Management Strategy encapsulates the way risk management will be undertaken consistently throughout the Council.

1.2 The Council needs to ensure that risks are only taken when justified and with a detailed knowledge and understanding of their possible impact upon the Council, its reputation, its assets, its stakeholders and the community. Through our culture of progressive improvement, risk management increases the success of the Council in delivering the best outcomes for the people of the District

1.3 The Council maintains high standards of corporate governance and recognises risk management as a key component of its governance and assurance framework. The Council's key proposals and objectives are examined to consider the potential risks to their achievement. This involves systematic risk identification and analysis of both corporate and service risks, as well as any risks arising from the delivery of Council objectives through partnership working.

1.4 The Council accepts its legal and moral duties in taking informed decisions about how best to control and minimise the downside of risk, whilst still maximising opportunity and benefiting from positive risks. The Council will ensure that Members and Officers understand their responsibility to identify risks and their potential consequences.

1.5 The Cabinet approved the Risk Management Stategy at its meeting on 29 July, taking on board the comments of the Policy Develoment Group from its meeting on 16 July 2014.

2.0 AIM AND OBJECTIVES OF THE STRATEGY

2.1 The Risk Management Strategy is attached at Appendix 1.

Aim

2.2 The aim of this Strategy is to improve the Council's ability to deliver its strategic service priorities and objectives by managing risks and enhancing its opportunities.

Objectives

2.3 The objectives of the Strategy are to:

- to protect the health, safety and welfare of its employees and the people it serves;
- to protect its property, assets and other resources;
- to protect the services it provides;
- to maintain its reputation and good standing in the wider community.
- to deliver its overall objectives and priorities

3.0 WHAT IS RISK MANAGEMENT?

3.1 Risk management is essentially about identifying and managing significant obstacles and weaknesses which the organisation is faced with. When these risks have been identified the next stage is to assess their likelihood and impact and compare the scores against the organisation's appetite for risk. Once assessed it is essential that steps are taken to then effectively manage those risks. The aim is that major obstacles or blockages that exist can be mitigated to provide the council with a greater chance of being able to achieve its objectives.

4.0 LINKS TO SERVICE PLANNING

4.1 Risk management needs to be viewed as a strategic tool that is an essential part of effective and efficient management and planning. There are clear links between corporate planning and risk management. These include:

- Each priority and objective identified in the corporate plan has milestones and performance indicators that the Council's activities will aim to achieve. During the lifetime of the plan there will be direct and indirect risks to this achievement.
- Incorporating risk management action plans into Corporate and Team Business Plans facilitates important risk control activity. The resources for risk management can also be considered at the same time as the budget for the plans is set.
- During reviews of performance and service delivery plans the actions taken to control risks can be monitored and the profile of risks reviewed to reflect any changes.
- Risk management will, by adding to the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.
- Risk management is also an essential requirement of the Council's formal Governance Framework and is incorporated in the Annual Governance Statement.

5.0 BENEFITS OF RISK MANAGEMENT

5.1 The benefits of good risk management include:

- *Enhanced operational performance*

Better outcomes and reduced costs by means of more efficient and effective deliveries. The achievement of strategic corporate priorities is enhanced with reduced scope for disasters and surprises. There is improved working with external agencies and stakeholders, added value across service areas, improved internal controls, consistent management of risk and opportunities resulting in improved service delivery, communication, consensus and prioritisation.

- *Improved financial performance*

More certainty of financial objectives being achieved, reduced level of error and fraud, increased capacity through reduction in decisions that need reviewing or revising, and a decreased number and impact of critical risks and events. This is evidenced by the Council's excellent track record of unqualified External Audit opinions on its accounts and proven performance against budget.

- *Opportunity Risk Management*

Better and evidence-based assessment of potential strategies, and clearer understanding of the community impact of lost opportunities.

- *Improved corporate governance and systems compliance*

The Annual Governance Statement is better substantiated and demonstrated, increased public satisfaction, fewer regulatory visits and reductions in legal challenges.

- *Improved human resources management*

Reduced staff turnover, absenteeism and stress.

- *Improved Partnership Working*

More transparent risk management arrangements will promote common understanding with partners, and will reveal vulnerabilities to the achievement of objectives.

- *Improved Internal Control Framework*

The use of risk management techniques by Internal Audit focuses control and compliance investigation work in the areas of greatest vulnerabilities.

• *Improved Business Resilience*
Internal and community risk registers assist in the preparation of business resilience plans. These increase the reliability of service delivery, and assist in tackling community disasters.

• *Improved insurance management*
Reduced cost of insurance premiums and number and level of claims, and a reduced number of uninsured losses.

6.0 COMMENTS RECEIVED FROM POLICY DEVELOPMENT GROUP ON 16 JULY 2014.

The Committee requested the following changes:

Appendix 1 (the Strategy), paragraph 1.1, first bullet point
Additional text added to read:

- to protect the health, safety and welfare of its employees, *agency staff, external contractors* and the people it serves;

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
RISK MANAGEMENT STRATEGY

1. INTRODUCTION

1.1 In line with established best practice, North West Leicestershire District Council has reviewed its principles of risk management which were approved in September 2009. The Council has adopted the principles of risk management in order to meet the following objectives:

- to protect the health, safety and welfare of its employees and the people it serves;
- to protect its property, assets and other resources;
- to protect the services it provides;
- to maintain its reputation and good standing in the wider community.
- to deliver its overall objectives and priorities

2. RISK MANAGEMENT STRUCTURE

2.1 Risk Management is co-ordinated corporately by the Health and Safety Officer based in the Council's Human Resources Team and through the Risk Management Group (RMG) chaired by the Director of Services. Each of the Council's Services has a representative on the RMG. Progress on Corporate Risk Management will be reported to elected Members through performance reports to the Cabinet. The Corporate Portfolio Holder is the Cabinet Member with overall responsibility for risk management.

2.2 Risk management will be embedded in the culture of the authority through:

- the continued adoption of the Council's risk management policy statement;
- a nominated officer lead, currently the Head of Finance;
- the Risk Management Group with representation from each Service Area;
- an established uniform procedure for the identification, analysis, management and monitoring of risk; and -
- regular monitoring and reporting through the corporate performance management system

3. POLICY STATEMENT

3.1 The Council will strive to maintain its diverse range of services to the community and visitors to the North West Leicestershire area. It will protect and preserve its ability to continue to provide these services by ensuring that its assets, both tangible and intangible, are protected against loss and damage. The Council is committed to a programme of risk management to ensure its ambitions for the community can be fulfilled through:

"The identification, analysis, management and financial control of those risks which can most impact on the Council's ability to pursue its approved delivery plan".

3.2 The Council is committed to using risk management to maintain and improve the quality of its own services as well as any contribution by partnerships through its community leadership role. The Risk Management Strategy has the following aims and objectives:

- to further embed risk management into the culture of the Council;
- to promote the recognition of risk within the Council's defined corporate aims and objectives;
- continue to raise risk awareness within the Council and its partners;
- to manage risk in accordance with best practice;
- to comply with legislation and guidance;
- to improve safety and increase safety awareness;
- to protect Council property, services and reputation;
- to reduce disruption to services by having effective contingency or recovery plans in place to deal with incidents when they occur;
- to minimise injury, damage, loss and inconvenience to residents, staff and service users arising from or connected with the delivery of Council services;
- to review robust frameworks and procedures for the identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice;
- to maximise value for money.

3.3 Each year, through the Risk Management Group, the Council's Corporate Leadership Team (CLT) will review the Risk Management Policy Statement and its risk management processes to ensure their continued relevance to the Council. The annual review will also assess performance against the aims and objectives set out above. CLT will be accountable to Members for the effective management of risk within the Council. This will be achieved through the quarterly reporting of corporate risks to Cabinet and reports to the Audit and Governance Committee.

4. RISK MANAGEMENT STRATEGY

4.1 The overall objective of the Council's risk management strategy is to ensure that risks to the Council's objectives, services, employees, partnerships and contractors are identified, recorded, amended, prioritised and then addressed by being treated, tolerated, transferred or terminated. The strategy incorporates:

a. Identification / consideration of risks

- Identifies corporate and operational risks, assesses the risks for likelihood and impact, identifies mitigating controls and allocates responsibility for the mitigating controls.
- Requires the consideration of risk within all service plans and reviews and the regular review of existing risks as identified in the risk register.
- Requires, reports supporting strategic policy decisions and project initiation documents, to include a risk assessment.

b. Development / Delivery

- Allocates responsibility for embedding risk management to a senior officer and Member, to jointly champion.
- Embeds risk management into; strategic planning, financial planning, policy making and review, and performance management.

- Requires that an update report arising from the work of the Risk Management Group is presented to Corporate Leadership Team for discussion and information.
- Develops arrangements to monitor and measure performance of risk management activities against the Council's strategic aims and priorities.
- Considers risks in relation to significant partnerships, which requires assurances to be obtained about the management of those risks.

c. Member Involvement / Responsibility

- Requires approval of the Risk Management Strategy by Cabinet.
- Requires regular reporting to Cabinet and the Audit and Governance Committee on the management of risks together with recommendation of appropriate actions.

d. Training / Awareness

- Provides relevant training to appropriate staff to enable them to take responsibility for managing risks within their environment.
- Requires the maintenance of documented procedures for the control of risk and the provision of suitable information, training and supervision.
- Develops appropriate toolkits, procedures and guidelines.
- Considers positive risks (opportunities) and negative risks (threats).
- Provides risk management awareness training for staff and Members.

e. Review

- Maintains and reviews a register of corporate business risks linking them to strategic business objectives and assigning ownership for each risk.
- Requires an annual review of the risk management process, including a report to CLT and quarterly reporting to the Audit and Governance Committee and, in the case of strategic risks, to Cabinet through the performance reporting process.
- Includes a monthly one-to-one review between managers and risk owners.

f. Business Continuity / Insurance

- Develops contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the delivery of the Council's services.
- Ensures the Council's Insurance Officer is notified of any new risks.
- Ensures adequate records are maintained and retained to support the Council's defence against disputed insurance claims.

5. CORPORATE RISK MANAGEMENT GROUP

5.1 The Corporate Risk Management Group is made up of technical experts and corporate leads from the Council's Service Areas. Members of the Group act as "champions" for risk within their services and the Group provides a link into the CLT.

5.2 The role of the Group is to maintain a formal framework that will assist with the management of risk and business continuity, by developing the corporate lead and advising CLT on the expected outcome. The objectives of the Group are:

- to assess and advise on the reduction of prevailing risks within the Council's services, to the benefit of staff and the public;

- to discuss, agree and recommend as appropriate, on matters relating to corporate risk policy and strategy;
- to make reports and recommendations to CLT;
- to discuss operational risks insofar as they relate to matters of cross-directorate interest;
- to oversee the implementation of the Council's Risk Management Strategy, and to promote a holistic approach to its ongoing management;
- to promote good risk management practices with the aim of reducing potential liabilities;
- to consider and identify ideas/schemes for risk reduction;
- to provide a forum to discussion on risk management issues.

These will be achieved through the following:

- the use of the Council's Risk Management reporting system;
- monitoring the risk management strategy;
- reviewing the Council's strategic risk register and associated action plans, acting as a forum for examining and rating risks and making recommendations to CLT.
- developing a comprehensive performance framework for risk management, and developing and using key indicators capable of showing improvements in risk management and providing early warning of risk;
- supporting the development and review of internal standards and procedures regarding significant risk areas;
- supporting the development and implementation of relevant training, awareness and education programmes;
- supporting the development and implementation of adequate, relevant and effective reporting, communication and information dissemination systems with managers and staff;
- supporting the effective monitoring and review of near misses, untoward incidents and accidents, legal and insurance claims and verifying that appropriate management action has been taken promptly to minimise the risk of future occurrence;
- supporting the review of the risk register and action plans to ensure that appropriate management action is taken appropriately to tolerate, treat, transfer or terminate the risk;
- monitoring compliance with legal and statutory duties;
- providing progress reports to CLT and Members, drawing to their attention significant business risks.

6. PROCEDURES

6.1 The Council will adopt uniform procedures for the identification, analysis, management and monitoring of risk. These will be embodied in a formal risk management framework, which will be subject to review by the Cabinet, following consideration by CLT.

The approved framework is set out in Appendix A to this strategy document.

7. FUNDING FOR RISK MANAGEMENT

7.1 The annual Service and Financial Planning process will include a review of operational risks and consider the allocation of funds for risk management initiatives as part of the annual budget process. If additional funds are required approval will be sought initially from CLT.

8. BENEFITS OF EFFECTIVE RISK MANAGEMENT

8.1 Effective risk management will deliver a number of tangible and intangible benefits to Individual services and to the Council as a whole e.g.

Improved Strategic Management
- Greater ability to deliver against objectives and targets
- Increased likelihood of change initiatives being achieved effectively
- Improved reputation, hence support for regeneration

Improved Operational Managements
- Reduction in interruptions to service delivery.
- Reduction in managerial time spent dealing with the consequences of a risk event occurring
- Improved health and safety of employees and others affected by the Council's activities
- Compliance with legislation and regulations

Improved Financial Management
- Better informed financial decision-making
- Enhanced financial control
- Reduction in the financial costs associated with losses due to service interruption, litigations, etc.
- Improved containment of insurance premiums.

Improved Customer Service
- Minimal service disruption to customers and a positive external image

North West Leicestershire District Council
July 2014

APPENDIX A

North West Leicestershire District Council
Risk Management Framework

(A) What is this framework?

This framework is intended to promote a set of uniform risk management procedures through which directorates will identify, analyse, monitor and manage the risks faced by the Council.

For the purposes of the framework, risk management is defined as *"the identification, analysis, management and financial control of those risks that can impact on the Council's ability to deliver its services and priorities."*

Risk management is therefore concerned with better decision making, through a clear understanding of all associated risks before final decisions are made by either Members or officers. When risks are properly identified, analysed and prioritised it is possible to formulate action plans that propose management actions to reduce risk or deal adequately with the consequences of the risks should they occur. The underlying aim is to treat, terminate or transfer risk to bring them to an acceptable manageable level within the Council, monitor tolerated risk, ensuring services to the public can be maintained, and that the Council's priorities can be fulfilled.

Risk management therefore supports the Council's service planning process by positively identifying the key issues that could affect the delivery of the service objectives.

(B) Why does the council need to consider risk management as part of its service planning?

All organisations have to deal with risks, whatever their nature. As a general principle the Council will seek to reduce or control all risks that have the potential to:

- harm individuals;
- affect the quality of service delivery or delivery of the Council's priorities;
- have a high potential of occurrence;
- would affect public confidence;
- would have an adverse effect on the Council's public image;
- would have significant financial consequences.

Risk Management cannot therefore be considered in isolation, but needs to be an integral part of decision-making and service planning processes of the Council. Risk management must be fully embedded in:

- service planning,
- performance management,
- best value,
- committee reports.

(C) Assessing risk

Once risks have been identified, an assessment of their significance is required. This requires a robust and transparent scoring mechanism to be used uniformly across Council directorates**.**

Scoring should be a group exercise including managers and frontline employees. This is because people's perceptions vary and this can have an effect on scoring the risk. Employees who experience a risk every day can become complacent and fail to see how serious it may actually be, whilst a group will usually see the wider impact.

A decision on risk ownership is also required. The owner should be at management level and be responsible for ensuring that controls identified to manage the risk are in place and that they are effective. Delegation of responsibility for particular actions to other employees is acceptable, but overall control of risk must remain with management.

Tables 2 and 3 below set out a scoring mechanism for assessing the likelihood and the impact of exposure to risk.

Table 2 – assessing the likelihood of exposure

1 Low	Likely to occur once in every ten years or more
2 Medium	Likely to occur once in every two to three years
3 High	Likely to occur once a year
4 Very high	Likely to occur at least twice in a year

Table 3 – assessing the impact of exposure

1. Minor	Loss of a service for up to one day Objectives of individuals are not met No injuries Financial loss below £10,000 No media attention No breaches in council working practices No complaints/litigation
2. Medium	Loss of a service for up to one week Service objectives of a service unit are not met Injury to an employee or member of the public requiring medical treatment Financial loss over £10,000 Adverse regional or local media attention – televised or news paper report High potential for a complaint litigation possible Breaches of regulations/standards

3. Serious	Loss of a service for one week or more Service objectives of the directorate are not met Non- statutory duties are not achieved Permanent injury to an employee or member of the public Financial loss over £100,000 Adverse national or regional media attention – national news paper report Litigation to be expected Breaches of law punishable by fine
4. Major	An incident so severe in its effects that a service or project will be unavailable permanently Strategic priorities are not met Statutory duties are not achieved Death of an employee or member of the public Financial loss over £1m. Adverse national media attention – national televised news report Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment

(D) Prioritisation of risk

Table 4 brings together in a matrix the likelihood and impact of risk.

Table 4 – a risk matrix

Likelihood

		1	**2**	**3**	**4**
Impact	**4**	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4

Based on this matrix, the Council must decide on the level of risk it is prepared to accept as part of its ongoing operations. Any risk above the agreed level should be considered unacceptable and will therefore need to be managed. The risks in the above matrix fall into three zones; red, amber and green. Table 5 sets out the Councils intended response to these risks.

Table 5 – Intended responses to risk

Red	Controls and/or mitigating actions are required to reduce the risk to an acceptable level. Effort should be focused on reducing the risk of any items appearing in this zone, hence moving them to the amber or green zone.
Amber	Risks will require ongoing monitoring to ensure they do not move into the red zone. Depending on the resources required to address the red risks, it may be appropriate to develop controls/mitigating actions to control these risks.
Green	Existing controls and/or mitigating actions are sufficient and may be excessive. More resource committed to reduce these risks is likely to be wasted. Consideration should be given to relaxing the level of control to release resources for mitigating higher level risks.

(E) Format of the risk register

Annex 1 to this framework provides a standard format.

Ref No	Risk Owner/ Collector	Risk Description	Consequence	Inherent risk			Existing Control Measures	Mitigated risk (current after existing controls)			Are existing control measures acceptable? Y/N	If not, what additional mitigating actions are required?	Target risk (after additional actions implemented)		
				L	I	IRR		L	I	MRR			L	I	TRR

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 24 SEPTEMBER 2014

Title of report	**STANDARDS AND ETHICS – QUARTER 1 REPORT**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Legal and Support Services and Monitoring Officer 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 1 of 2014/15.
Council Priorities	Value for Money
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Assessment Human Rights Transformational Government	 N/A N/A By receiving this information members will be able to manage risks. N/A N/A N/A
Consultees	N/A
Background papers	None.
Recommendations	**THAT THE REPORT BE RECEIVED AND NOTED.**

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STANDARDS AND ETHICS

QUARTER 1 REPORT
2014-2015

1. Introduction

This is the first quarterly report to the Audit & Governance Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2014/15.

For clarification purposes the months covered by the quarters are as follows:

Quarter 1 – 1 April to 30 June
Quarter 2 – 1 July to 30 September
Quarter 3 – 1 October to 31 December
Quarter 4 – 1 January to 31 March

The report is split into 2 parts for ease of reference; Part 1 refers to the local determination of complaints, part 2 is the table showing the ethical indicators figures.

The report will enable the Audit & Governance Committee to build up a picture over time of how many complaints are received and where these are coming from. The parts of the Code of Conduct which have been breached will also be recorded to enable training to be targeted effectively.

2. Part 1 – Local Determination of Complaints

The Monitoring Officer received no complaints in Quarter 1 of 2014/15.

2.1 Source of Complaints

No complaints have been received.

2.2 Assessment Sub-Committee Decisions

There have been no Assessment Sub-committee meetings in this quarter.

As members will be aware, the Monitoring Officer now pursues an informal dispute resolution process prior to initiating formal proceedings via the sub-committee route. All complaints received in this quarter are currently in that process.

2.3 Timeliness of Decision

The Standards for England Guidance stated that the Assessment Sub-committee should complete its initial assessment of an allegation "within an average of 20 working days" to reach a decision on what should happen with the complaint. The Council has taken this standard and adapted it under the new rules to aim to hold an Assessment Sub-committee within 20 working days of notifying the parties that informal resolution is not possible.

2.4 Review Requests

There have been no review requests this quarter. Review requests can only be made following a decision of 'No further Action' by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.5 Subsequent Referrals

None to report – see above.

2.6 Outcome of Investigations

There were no investigations concluded in this period.

2.7 Parts of the Code Breached

This section is intended to show where there are patterns forming to enable the Audit & Governance Committee to determine where there needs to be further training for Councillors. Targeting training in this way makes it more sustainable and, hopefully, more effective.

So far this year, the following areas of the code were found to have been breached:

N/A

4. Part 2 – Ethical Indicators

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1 Actual 2013/14	Q1 2014/15	Q2 Actual 2013/14	Q2 2014/15	Q3 Actual 2013/14	Q3 2014/15	Q4 Actual 2013/14	Q4 2014/15
SE1	Objections to the Councils Accounts	Financial Planning Team Manager	0	0	0		0		0	
SE3	Follow up action relating to breaches of the Member/Officer Protocol (Members)	Head of Legal and Support Services	0	0	0		0		0	
SE3a	Disciplinary action relating to breaches of the Member/Officer Protocol (staff)	Human Resources Team Manager	0	0	0		0		0	
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0		0		0	
SE5	Number of Whistle blowing Incidents reported		0	0	0		0		0	
SE6	No. of recommendations made to improve governance procedures / policies		4	5	5		0		17	
SE6a	No. of recommendations implemented		5	5	2		1		9	
SE7	No. of Ombudsman complaints received	Customer Services and Corporate Complaints Officer	2	0	2		2		0	
SE7a	No. of Ombudsman complaints resolved		1 (1 where LGO has sent further enquiries)	0	2 (1 awaiting final decision)		1 (1 awaiting final decision		0	

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15
SE7b	No. of Ombudsman complaints where compensation paid	Customer Services and Corporate Complaints Officer	1	0	0		0 (based on 1 resolved in Q3)		0	
SE8	No. of Corporate Complaints received		72	75	75		53		84	
SE8a	No. of Corporate Complaints resolved		68	69	71		50		79	
SE8b	No. of Corporate Complaints where compensation paid		3	1	2		2		3	

- A total of 75 corporate complaints were received during Q1 and is comparable with the same period for Q1 13/14.

- 42 of all complaints (56%) were for the Housing Service. 35 of the housing complaints (83%) were to do with repairs and Decent Homes Improvement Programme and were to do with outstanding/delays in works.

  We have asked for information as to the context of these complaints. At the time of writing this report the information was not available. The author of the report will provide an update at the meeting.

- 17 complaints (23%) were for services within Community Services. Majority (88%) were to do with the Leisure service and related to classes i.e. too many in the class, and condition of facilities e.g. air conditioning, changing rooms.

  After receiving customer feedback the following improvements were made to Leisure Services; More fitness classes have been added to the class timetable and a new instructor sourced to be able to re-instate a fitness class. The Fitness Studio air conditioning unit has had the coolant replaced, Leisure Services are using a new contractor in order to deal with air conditioning issues more efficiently and to a higher standard. Ventilation has been improved in the swim change toilets and staff presence has been increased to address cleaning and maintenance issues.

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15
Freedom of Information Act Indicators										
SE9	Total no. of requests received	Head of Legal and Support Services	116	178	109		165		208	
SE9a	No. of requests compliant		100	125	92		125		151	
SE9b	No. of Non compliant requests		14	45	15		31		51	
SE9c	No of requests still open and within the 20 working days		0	0	0		0		0	
SE9d	Number withheld due to exemptions/fees applied		5	10	4		5		6	

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15
Regulation of Investigatory Powers Act Indicators										
SE10	No. of Directed Surveillance authorisations granted during the quarter		0	0	0		0		0	
SE10a	No. in force at the end of the quarter		0	0	0		0		0	
SE10b	No. of CHIS recruited during the quarter		0	0	0		0		0	
SE10c	No. ceased to be used during the quarter		0	0	0		0		0	
SE10d	No. active at the end of the quarter		0	0	0		0		0	
SE10e	No. of breaches (particularly unauthorised surveillance)	Senior Auditor	0	0	0		0		0	
SE10f	No. of applications submitted to obtain communications data which were rejected		0	0	0		0		0	
SE10g	No of notices requiring disclosure of communications data		0	0	0		0		0	
SE10h	No of authorisations for conduct to acquire communications data		0	0	0		0		0	
SE10i	No of recordable errors		0	0	0		0		0	

AUDIT AND GOVERNANCE COMMITTEE WORK PLAN 2014-15

Issue	Details	Meeting at which will be reported
Standards Quarterly Report	To receive a quarterly report on the ethical indicators and local investigations – quarter 2	December 2014
Standards Quarterly Report	To receive a quarterly report on the ethical indicators and local investigations – quarter 3	March 2015
Standards Quarterly Report	To receive a quarterly report on the ethical indicators and local investigations – quarter 4	June 2015

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