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Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 24 July 2019
Location	Council Chamber, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

AGENDA

Item	Pages
1. APOLOGIES FOR ABSENCE	
2. DECLARATION OF INTERESTS	
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 20 March 2019.	3 - 6
4. REPORT TO THOSE CHARGED WITH GOVERNANCE	
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5. ANNUAL GOVERNANCE STATEMENT	
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Report of the Head of Legal and Commercial Services.	287 - 296
12. COMMITTEE WORK PLAN	
To note the Committee's work plan	297 - 298

Circulation:

Councillor V Richichi (Chairman)
Councillor D Harrison (Deputy Chairman)
Councillor C C Benfield
Councillor D Bigby
Councillor J Clarke
Councillor L A Gillard
Councillor S Gillard
Councillor M D Hay
Councillor S Sheahan
Councillor M B Wyatt

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 20 MARCH 2019

Present: Councillor V Richichi (Chairman)

Councillors R Ashman, J Clarke, J Cotterill, D Harrison, G Hoult, G Jones and S Sheahan

Officers: Mrs T Bingham, Mrs L Marron, Mrs R Wallace and Miss E Warhurst

External Audit: Ms L Fanning and Mr M Surridge

35. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor S McKendrick.

36. DECLARATION OF INTERESTS

There were no declarations of interest.

37. MINUTES

Consideration was given to the minutes of the meeting held on 5 December 2018.

By affirmation of the meeting it was

RESOLVED THAT:

The minutes of the meeting held on 5 December 2018 be approved as a correct record and signed by the Chairman.

38. ANNUAL AUDIT LETTER

The Head of Finance presented the report to Members.

In response to a question from Councillor D Harrison, the Head of Finance reported that she was happy with the statement given by external audit regarding the valuation of PPE.

In response to a request from Councillor D Harrison, the External Auditor gave some clarification on the assumptions within the Annual Audit Letter.

It was moved by Councillor G Hoult, seconded by Councillor J Cotterill and

RESOLVED THAT:

The 2017/18 Annual Audit Letter be noted.

39. EXTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT

The Head of Finance presented the report to Members.

Councillor S Sheahan asked if the revaluation of assets issue had been resolved and if there were any financial impacts. The Head of Finance reported that there were some issues with the migration of data and historical costs, therefore it was not yet resolved. She assured Members that there was no financial impact as it was in relation to accounting treatments only.

It was moved by Councillor J Cotterill, seconded by Councillor R Ashman and

RESOLVED THAT:

The progress made be noted.

40. EXTERNAL AUDIT PLAN

The External Auditor presented the report to Members.

Councillor S Sheahan commented that he was cautious of the leisure centre project and asked for any guidance on what to monitor over the next few years. The External Auditor stated that Members would be monitoring process of the project through the risk register assurances and the 2019/20 Audit Plan. The Audit Manager informed Members that the leisure service procurement would be looked at in due course. The Head of Finance gave assurances that the project would not go over budget and that the contract was still being worked on.

It was moved by Councillor D Harrison, seconded by Councillor G Jones and

RESOLVED THAT:

The External Audit Plan for 2018/19 be noted.

41. INTERNAL AUDIT PROGRESS REPORT FEBRUARY 2019

The Audit Manager presented the report to Members.

At the request of Councillor R Ashman, the Internal Audit Manager clarified the process of post inspection of works and explained it was in relation to the recording of the inspections, not the actual work that has been completed.

Councillor S Sheahan expressed concerns that the audits listed were mostly for the housing service, he asked if this would trigger an investigation into the possible causes for the problems. The Audit Manager explained that if more concerns arose during the audit then the decision could be taken to explore further. Councillor S Sheahan asked if it was possible to invite the head of service to the next meeting to discuss the matter further. The Head of Legal and Commercial Services advised Members that an invitation could be made to the head of service if it was to discuss the outstanding audits, anything else would need to be taken through scrutiny. Councillor S Sheahan was happy for the matter to be taken to scrutiny, in particular an investigation into the client and contractor relationship.

At the request of Councillor J Clarke, the Audit Manager gave some clarification on the audit for the housing contractors referred to in the progress report.

It was moved by Councillor J Clarke, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

42. INTERNAL AUDIT ANNUAL PLAN 2019/20

The Audit Manager presented the report to Members.

It was moved by Councillor D Harrison, seconded by Councillor J Hoult and

RESOLVED THAT:

- a) The report be noted.
- b) The 2019/20 Internal Audit Plan be approved.

43. GRANTS AND CLAIMS ANNUAL REPORT

The Head of Finance presented the report to Members.

It was moved by Councillor D Harrison, seconded by Councillor J Cotterill and

RESOLVED THAT:

The report be noted.

44. PROGRESS UPDATE IN RESPECT OF IMPROVEMENTS IDENTIFIED THROUGH THE ANNUAL REVIEW OF GOVERNANCE 2017/18

The Head of Finance presented the report to Members.

In response to a question from Councillor V Richichi, the Head of Finance could not give an exact timescale, noting that many of these improvements could span more than one financial year and that going forward these timescales would be communicated to members in future update reports. for the completion of the remaining seven improvement areas but as the first seven improvements had been completed since October, it was not expected to take an extended period of time.

Councillor J Clarke asked if the improvements that had been carried over from 2016/17 had been completed. The Head of Finance agreed to find out the details and report back to Councillor J Clarke outside of the meeting.

Councillor G Hoult pointed out that the key to the related principles in appendix 1 was incomplete and the Head of Finance agreed to circulate the full wording.

It was moved by Councillor G Hoult, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

45. 2018/19 MATERIALITY LEVEL AND ACCOUNTING POLICIES

The Head of Finance presented the report to Members.

In response to a question from Councillor D Harrison, the Head of Finance explained that there was a methodology for calculating the minimum level of reserves for the general fund, which was agreed in February 2018. She assured Members that the reserve was currently well within the tolerance level.

It was moved by Councillor D Harrison, seconded by Councillor J Clarke and

RESOLVED THAT:

- a) The draft accounting policies for 2018/19 financial statements be approved.
- b) The materiality levels as set out in appendix B be approved.

46. STANDARDS AND ETHICS - QUARTER 3 REPORT

The Head of Legal and Commercial Services presented the report to Members. She informed Members that the method of reporting the information in the future was being reviewed and asked for volunteers to discuss the matter further. Councillors J Clarke and S Sheahan volunteered.

It was moved by Councillor D Harrison, seconded by Councillor G Hault and

RESOLVED THAT:

- a) The report be noted.
- b) Councillors J Clarke and S Sheahan meet with the Head of Legal and Commercial Services to discuss the future reporting of the standards and ethics information.

47. TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2018 TO FEBRUARY 2019

The Head of Finance presented the report to Members.

It was moved by Councillor G Jones, seconded by Councillor M Specht and

RESOLVED THAT:

The report be approved.

48. CORPORATE RISK UPDATE

The Head of Finance presented the report to Members.

It was moved by Councillor R Ashman, seconded by Councillor G Jones and

RESOLVED THAT:

The Corporate Risk Update be noted.

49. DRAFT MEMBER CONDUCT ANNUAL REPORT

The Head of Legal and Commercial Services presented the report to Members.

It was moved by Councillor G Hault, seconded by Councillor J Clarke and

RESOLVED THAT:

- a) The Draft Member Conduct Annual Report be noted.
- b) The authority to make any minor amendments to the report following the meeting of the Audit and Governance Committee be delegated to the Head of Legal and Commercial Services.

RECOMMENDED THAT:

Council endorse the Member Conduct Annual Report.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.56 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 24 JULY 2019

Title of report	REPORT TO THOSE CHARGED WITH GOVERNANCE 2018/19
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk</p> <p>Head of Finance and Section 151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk</p>
Purpose of report	To consider the External Auditor's Report to Those Charged With Governance for 2018/19.
Reason for Decision	In order to approve the Letter of Representation in relation to the 2018/19 Statement of Accounts and consider findings and recommendations laid out in the External Auditor's report.
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Risk Management	The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance.
Equalities Impact	Not applicable
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	None
Background papers	None
Recommendations	<p>THAT THE COMMITTEE:</p> <p>(A) NOTE THE EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT AS SET OUT IN APPENDIX A.</p> <p>(B) APPROVE THE MANAGEMENT REPRESENTATION LETTER ATTACHED AT APPENDIX B.</p>

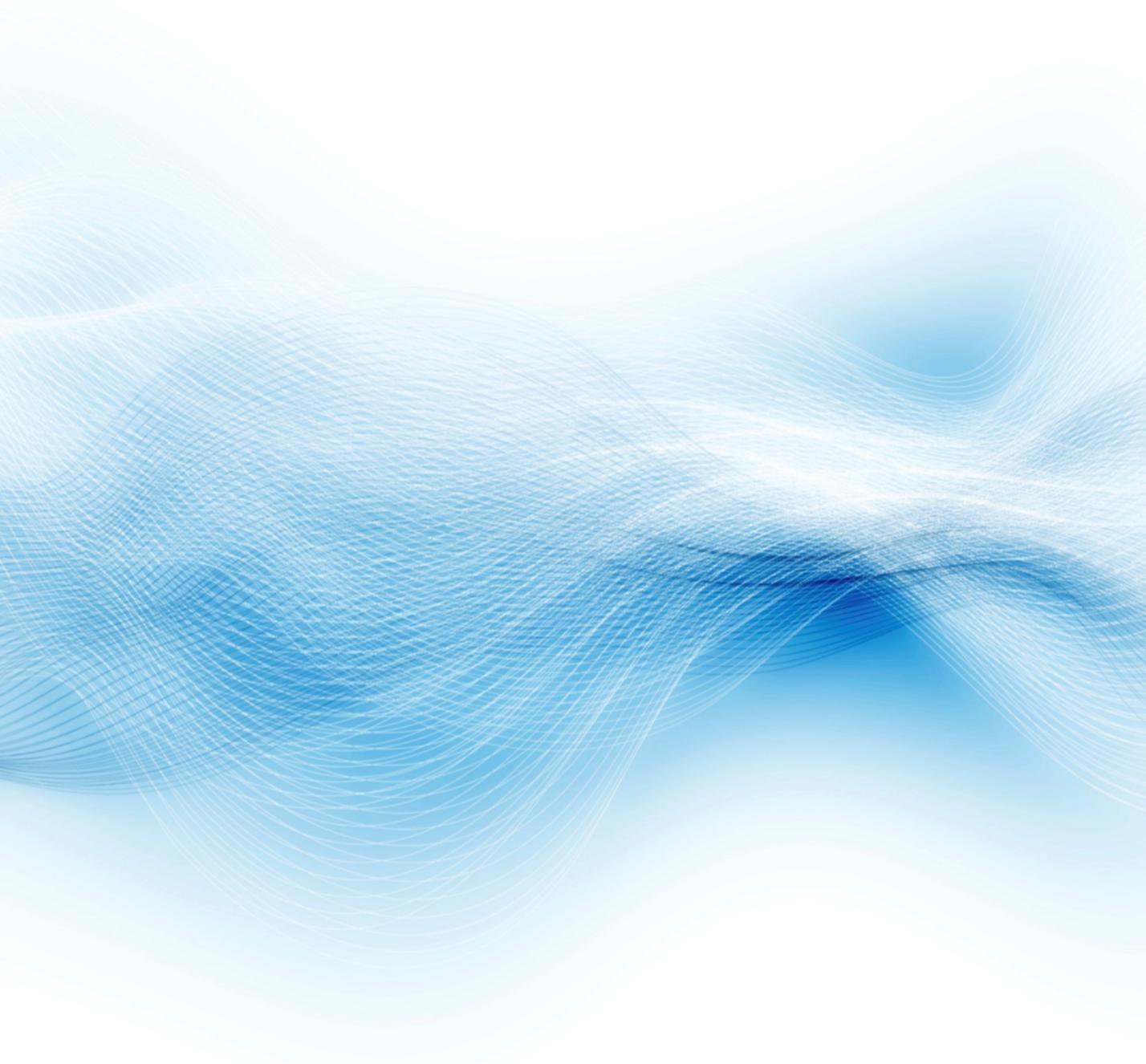
1.0 BACKGROUND

- 1.1 The audit of accounts commenced on 10 June 2019 following publication of the council's draft Statement of Accounts on 31 May 2019. At the time of writing this covering report, the audit is in its final stages.
- 1.2 Subject to concluding the audit, the council's external auditors, Mazars LLP, anticipate issuing an unqualified opinion on the Financial Statements and concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness.
- 1.3 Mazars' Audit Completion Report, set out in Appendix A, details the audit findings and conclusions. The report covers the issues arising from the annual audit of accounts and any matters which are formally required to be reported under the Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA 260) "Communication of audit matters with those charged with governance".
- 1.4 The Management Representation Letter is attached in Appendix B to this report. This letter is issued by the Council to the auditor in writing as part of audit evidence. Subject to approval by the committee, the letter will be signed by the Chair of the Committee and Section 151 Officer and confirms that the Council has provided all relevant information to the auditors.
- 1.5 Finally, given the additional workload in auditing the restated position in respect of the value of the council's housing assets, it is anticipated that fees paid for the 2018/19 external audit will be varied. At the time of writing this report, it is expected that this fee variation will be agreed after the audits completion.

Audit Completion Report

North West Leicestershire District Council

Year ending 31 March 2019



CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit and Governance Committee Members
North West Leicestershire District Council
Council Offices
Whitwick Road
Coalville
Leicestershire
LE67 3FJ

16 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 29 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0787 597 4291.

Yours faithfully

Mark Surridge
Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of North West Leicestershire District Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit and Governance Committee meeting on 24 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

Significant Audit Risks:

- Management override of controls
- Valuation of property, plant and equipment (PPE) and investment properties (IP)
- Valuation of net defined benefit liability

Key Judgement Areas:

- Prior year audit adjustments and Fixed Assed Register opening balances
- Provision for business rate appeals against the rating list
- Minimum revenue provision (MRP)

Status of our audit work

This first year audit carried out by Mazars has been challenging, given the tight timescale for us to complete the work and for management to respond to our audit queries, including the additional complications arising from a prior period adjustment and the late notification of a national issue regarding potentially material adjustments to pension valuations, as described in Section 2. We have, though, substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the matters outstanding, which we will continue to work on up to the date of the Committee's meeting, include:

- Finalising our work in testing the significant risk areas identified in our relating to the PPE and IP valuations, including clearing our queries with the Council's valuer and other officers
- Finalising our work in relation to the significant risk areas relating to the net Pensions liability, including receiving assurances requested from the Leicestershire PF auditor, reviewing the latest IAS19 valuation report and the disclosures in the final set of the financial statements and reviewing and acting on the latest PwC report (for NAO) on the Actuaries' work
- Receiving the remaining 3rd party verifications for the Council's bank accounts, investments and loans, and completing our testing of the Cash and Cash equivalents and Borrowing balances
- Checking the amendments to the draft financial statements proposed by management to correct matters identified during the audit.
- Clearing any remaining quality control points and completing the remaining audit closure steps.

We will update the Audit and Governance Committee at its 24 July 2019 meeting on these and any other matters arising from the audit.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to the Audit and Governance Committee in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £1,195k using a benchmark of 2% of the Council's 2017/18 Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, was at to leave materiality at the same value. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee), at the planning stage of the audit at £36k (3% of materiality), and again our final assessment has been to keep this threshold at the same value.



1. EXECUTIVE SUMMARY

Key findings of our work

As we outline below, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing, subject to completing the remaining audit procedures, an unqualified opinion, without modification, on the amended financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no such objections or questions from local electors.

Misstatements and internal control recommendations

At Section 3 we have confirmed that, based on the audit work completed to date, there are no identified significant control deficiencies we are required to report to the Audit and Governance Committee..

At Section 4 we have summarised the audit misstatements identified from the audit work to date that we are required to report to the Audit and Governance Committee.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit that include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded that the financial statements have been prepared in accordance with the financial reporting framework and provide commentary on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration and reported these to you in our Audit Strategy Memorandum. Our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management
override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk by:

- Documenting our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- Testing the appropriateness of journal entries recorded in the general ledger and other material adjustments made in the preparation of the financial statements;
- Evaluating the business rationale for any significant transactions outside the course of the business;
- Understanding the oversight given by those charged with governance of management process over fraud;
- Making enquiries of management and Internal Audit regarding actual or any suspicions of fraud;
- Considering whether the Council's accounting policies are consistent with industry standards;

Clarification from the Audit Strategy Memorandum

In our Audit Strategy Memorandum we also said we would:

- Review the calculation of management's material accruals, estimates and provisions for evidence of management bias;
- Sample test accruals and provisions based on established testing thresholds; and
- Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, they formed part of our standard audit procedures.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of property, plant and equipment, investment properties and assets held for sale

Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.

Relevant account balances

Where relevant, Cost of Services (Expenditure) for any impairment charges

Those items of Property, Plant and Equipment held at valuation being Council Dwellings, Other Land and Buildings and Surplus Assets as described in Note 9.

Investment Properties

How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum.

We addressed this risk through performing the following audit work:

- Reconciling valuations from the valuer's report had been recorded in the Fixed Asset Register
- Testing a sample of assets valued during the year to valuation reports
- Where material, testing the basis for impairment of assets, the value and correct accounting treatment
- Critically assessing the Council's valuer's scope of work and methodology used
- Considering the impact of any assets not valued during the year

In our Audit Strategy Memorandum we also said we would test a sample of capital expenditure in 2018/19 where material to confirm that the additions are appropriately valued in the financial statements. This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, it formed part of our standard audit procedures.

Audit conclusion

Our work to date has not identified any material errors in the financial statements.

Our work, however, is ongoing and we will provide an update to the Audit and Governance Committee on the day of the meeting.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of net defined pension liability

Description of the risk

The Council's accounts contain material liabilities relating to the Local Government Pension Scheme (LGPS). The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

Relevant account balances

Net defined pension liability

How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum. We addressed this risk through performing the following audit work:

- Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition, we

- Critically assessed the competency, objectivity and independence of the Leicestershire Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Performed a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council (note, our Audit Strategy Memorandum implied we would perform detailed tests, which was an incorrect transposition from our Audit file);

Audit conclusion

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention. Our audit work is however in progress and we will update the Audit and Governance Committee on any significant matters which affect our audit conclusion.

All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.

The updated IAS19 valuation report received 5 July 2019, to take into account the implications of the GMP and McCloud judgments and changes to the Pension Fund's asset values at 31 March 2019, included material differences to the original report used to prepare the draft financial statements. Management is to amend the draft financial statements for these differences. We have summarised the amendments at page 11.

2. SIGNIFICANT FINDINGS (CONTINUED)

Other Risk Area	Description of the risk
Prior year audit adjustments and Fixed Asset Register (FAR) opening balances	<p>The Council maintained a local spreadsheet based FAR for HRA properties during 2017/18 and deferred its move to a new on-line platform to allow it to process the prior year audit adjustments identified during KPMG's 2017/18 audit. The Council plans to migrate the current FAR data to the new platform during 2018/19 and it is the new system which will form the basis of the current year's FAR and accounting entries for the financial statements. It is important that the data is migrated completely.</p>
	How we addressed the risk
	<p>In the event the Council did not migrate to the new platform in the year. As part of its preparations it identified there were historical misstatements in its FAR. Some of these misstatements were material and the Council has restated its opening balances to show the correct brought forward amounts. The prior period adjustment is disclosed at Note 40 to the draft financial statements.</p>
	<p>To ensure we have sufficient assurance over the opening balances we reviewed the restatement and carried out testing on the supporting working papers to confirm that the accounting adjustments had been correctly put through.</p>
	Audit conclusion
	<p>We did not identify any material errors in the adjusted brought forward balances.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Key area of management judgment

Provision for business rate appeals against the rating list

Description of the judgment

The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.

How we addressed this management judgement

We addressed this judgment through by:

- Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy; and
- Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability.

Audit conclusion

Our audit procedures relating to the Council's provision for business rate appeals have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to members' attention.

Key area of management judgment

Minimum Revenue Provision (MRP)

Description of the judgment

Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.

How we addressed this management judgement

We addressed this judgment through performing the following audit work:

- Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's policy;
- Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and
- Confirming that any charge has been accounted for in accordance with the Code.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements in relation to the Council's MRP

2. SIGNIFICANT FINDINGS (CONTINUED)

Opening balances

We have performed relevant audit procedures on the Council's opening balances, which included an examination of the Prior Period Adjustment. We have no observations or matters to report relating to the opening financial position as at 1 April 2018.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council in advance of the 31 May 2019 deadline and were complete. We also received the requested working papers ahead of our audit visit and officers have responded to audit queries and requests for additional information as the audit has progressed.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management and staff. We will meet with officers ahead of the 2019/20 audit to provide feedback on the detailed working papers and any improvement opportunities for other areas related to the accounts production and audit processes.

There were two matters which have required us to carry out additional audit work this year. We have referred at page 8 to the work required to examine the prior period adjustment audit. Officers' work to process the adjustments was not completed until May 2019 and we were unable to carry out our planned review ahead of the main audit visit. This work need to instead be carried out alongside the other audit work planned for the main on-site visit.

The second challenging aspect of the audit related to the actuarial valuation of the Pension Liability that, as explained on page 7, impacted all local authorities and participants in a local government pension scheme. The Council prepared the draft financial statements based on guidance that had been issued at the time, however our view was that the actuarial valuations should have taken into account both the McCloud and GMP judgements. We raised our concerns at an early stage, however this is a complex area, required third party input, and within compressed reporting deadlines meant that the work performed presented some challenges for all parties.

We will discuss with management the impact of these and any other matters arising on the audit fee for the year and update the Audit and Governance Committee if a fee variation application to Public Sector Audit Appointments is required.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

We have not received any questions or objections.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

At this stage, based the audit work carried out, we have not identified any significant control deficiencies that we are required to report to you. We will update the Audit and Governance Committee at its 24 July 2019 meeting if there are any matters arising from that work that we are required to report.



4. SUMMARY OF MISSTATEMENTS

We set out below, based on the work completed to date, the material misstatements which have been amended in the final financial statements. There are no unadjusted misstatements above the level of our trivial threshold of £33k which we are required to report to you.

We will update the Audit and Governance Committee if any further reportable misstatements are identified from the remaining audit work in progress.

Material misstatements 2018/19

The table below summarises the amendments expected to be made to the draft financial statements.

		Draft Financial Statements £'000	Amended Financial Statements £'000
1	Balance Sheet - Net Pension Liability	56,332	59,661
	Comprehensive Income and Expenditure Statement – Cost of Services: Service Costs	4,572	5,933
	Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure: Net interest expense	1,271	1,289
	Comprehensive Income and Expenditure Statement – Other Comprehensive Income and Expenditure: Re- measurement of net Defined Benefit Pension Liability	7,164	9,114
<p>The draft financial statements have been amended to reflect updated figures as a result of a revised July 2019 actuarial valuation, taking into account assumptions for the potential impact of Guaranteed Minimum Pension equalisation and the outcome of the 'McCloud' judgement relating to the 2014 reforms of the LGPS benefit structure, and actual performance of the pension fund to 31 March 2019. There are also additional consequential changes to the Pension Fund note and primary statements, but none of these items impact the Council's useable balances carried forward.</p>			

5. VALUE FOR MONEY CONCLUSION

Introduction

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our Approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2018/19 financial year, we did not identify any significant risks to our VFM conclusion.

Matters kept under review

We did identify in our Audit Strategy Memorandum the following matters which we needed to keep under close review:

- Financial sustainability – the medium term financial position is uncertain (common to all bodies in the sector) and the demands/funding assumptions indicate a likely shortfall in future years. The Council is sighted on needing to be self-sufficient due to falling government grant levels.
- Capital Programme – the construction of the new Leisure Centre is estimated to cost £20m with around £13m spend expected in 2019/20.

Before drawing our conclusion, we have:

- Reviewed the 2018/19 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2019/20:
 - Revenue and Capital budgets and Medium Term Financial Plan
 - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
 - Commercial Strategy
- Considered the Council's latest financial monitoring information and its updated medium term outlook
- Discussed the new Leisure Centre project management arrangements and financial appraisals with managers and reviewed key reports.
- Updated our overall risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports
- Reviewed the Council's Annual Governance Statement for any significant issues
- Considered the general findings from our audit work in other areas.

5. VALUE FOR MONEY CONCLUSION

Findings

Medium Term Financial Plan

The Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. The Medium Term Financial Plan (MTFP) clearly sets out the key assumptions on both income and expenditure as well as the savings required over the period. The MTFP assumes that the authority will continue its policy of not increasing the annual Council Tax charge, which results in an estimated £1.8million loss of income over the life of the plan to 2024. This gap will need to continue to be met by savings or alternative income streams. The identification and delivery of savings will be challenging and further work is required to firm up specific saving plans for 2020/21 and beyond and the outcome of the Fair Funding review will help inform the Council's plans.

Capital Programme

We have discussed progress with management and considered the Cabinet reports in February 2019, October 2018 and November 2017, noting that the Council conducted an assessment of the bids which concluded that the selected option was consistent with the Council's Delivery Plan. The proposed management arrangement transfers risk for the care, maintenance and upkeep of the facilities for a period of 25 years.

From the work performed, no new significant VFM risks were identified and we have no matters to report.

Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
45 Church Street
Birmingham
B2 3RT

17 July 2019

Dear Sirs

North West Leicestershire District Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of North West Leicestershire District Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Head of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Head of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law.

I have disclosed identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Prior Period Adjustment

The financial statements opening balances have been adjusted to reflect all known previous years' material errors and there are no omitted known material prior year misstatements.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Head of Finance



APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of North West Leicestershire District Council

Report on the financial statements

Opinion

We have audited the financial statements of North West Leicestershire District Council for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North West Leicestershire District Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Head of Finance is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Financial Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Head of Finance for the financial statements

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Head of Finance is also responsible for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Head of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Head of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on North West Leicestershire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2018, we are satisfied that, in all significant respects, North West Leicestershire District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

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

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of North West Leicestershire District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

Mark Surridge

For and on behalf of Mazars LLP

45 Church Street
Birmingham
B3 2RT

July 2019

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



CONTACT

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Director

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Mike Norman

Senior Manager

Phone: +44 (0) 790 998 4151

Email: Michael.norman@mazars.co.uk

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Mazars LLP
45 Church Street
Birmingham
B2 3RT

Dear Sirs

North West Leicestershire District Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of North West Leicestershire District Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Head of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Head of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law.

I have disclosed identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Prior Period Adjustment

The financial statements opening balances have been adjusted to reflect all known previous years' material errors and there are no omitted known material prior year misstatements.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. Yours faithfully

Yours Faithfully,



Tracy Bingham

Head of Finance

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – 24 July 2019**

Title of report	ANNUAL GOVERNANCE STATEMENT 2018/19
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk</p> <p>Head of Finance and Section 151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk</p>
Purpose of report	To present the Annual Governance Statement 2018/19 for consideration and approval.
Council Priorities	Value For Money
Implications:	
Financial/Staff	Not Applicable
Risk Management	Failure to produce an accurate and comprehensive Annual Governance Statement could result in adverse comment from the External Auditor and failure to comply with current guidance.
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None
Background papers	Annual Governance Statement 2018/19 (unaudited) – https://www.nwleics.gov.uk/files/documents/annual_governance_statement_2018_19/2018%2019%20Annual%20Governance%20Statement%20and%20Assurance.pdf
Recommendations	THAT COMMITTEE MEMBERS APPROVE THE ANNUAL GOVERNANCE STATEMENT (AS ATTACHED TO THIS REPORT AT APPENDIX A)

1.0 BACKGROUND

- 1.1 An Annual Governance Statement is a requisite part of the annual review of corporate governance and good practice dictates that the document is published alongside the statement of accounts, but is considered in its own right.
- 1.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issue joint annual guidance on corporate governance, which encourages Local Authorities in going beyond consideration of the internal control environment to look at wider arrangements for supporting sound corporate governance.
- 1.3 The CIPFA/SOLACE guidance outlines seven core principles for good governance, with a number of supporting principles. These seven principles are:
 - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - B. Ensuring openness and comprehensive stakeholder engagement
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - D. Determining the interventions necessary to optimise the
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it achievement of the intended outcomes
 - F. Managing risks and performance through robust internal control and strong public financial management
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 1.4 The Council's duty in respect of the Annual Governance Statement is to undertake an annual review of its governance arrangements, which includes the effectiveness of its system of internal control and produce a statement regarding its overall level of governance.

2.0 REVIEW OF EFFECTIVENESS

- 2.1 To undertake the annual review, an assessment of the Council's governance framework against the CIPFA/SOLACE guidance has been undertaken with the Corporate Leadership Team to arrive at an assessment score of either:
 - Good – Good governance exists and there are no improvements required
 - Fair – Satisfactory governance exists but improvements are required to meet good governance
 - Poor – Significant issues with governance exists which need addressing
- 2.2 The review is documented with details of evidence included in the Annual Governance Statement document and is approved by the Chief Executive and the Leader of the Council.

3.0 THE ANNUAL GOVERNANCE STATEMENT

- 3.1 The 2018/19 Annual Governance Statement has been subject to audit and requires final approval from this Committee.

- 3.2 The Council's governance framework and how we have complied with the CIPFA/SOLACE framework is summarised in Section 3 of the statement and was in place throughout 2018/19.
- 3.3 Section 4 summarises the review the effectiveness of the Council's governance, including details of any significant issues or areas for improvement which have arisen from the review of effectiveness, and proposals for addressing them.
- 3.4 There were no significant issues identified for 2018/19, however 5 improvements identified through the Annual Governance Statement review in 2017/18 have been carried forward for completion and there have been 4 new improvements identified. The total 9 improvements are summarised in Table 2 of the Annual Governance Statement.
- 3.5 Evidence gathered throughout the review is detailed as an appendix to the statement.
- 3.6 Progress against improvement areas will be reported to the Audit and Governance Committee on a quarterly basis and the Annual Governance Statement of future years will report on the progress/completion of improvements areas or significant issues from the prior period.
- 3.7 Finally, section 5 of the statement details that the overall opinion and conclusion. For 2018/19 this is that the council is satisfied that appropriate governance arrangements are in place.
- 3.8 Following Audit and Governance Committee approval, the final Annual Governance Statement will be published on the Council's website.

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Annual Governance Statement 2018/19

1. Background and Scope of Responsibility

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, 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.

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.

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' 2016. A copy of the Code is available on our website at www.nwleics.gov.uk/corporate_policies or can be obtained from the Council Offices in Coalville upon request.

This Statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation and approval of an Annual Governance Statement. The Council's arrangements comply with each of the principles in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

2. The Purpose of the Governance Framework

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.

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.

The governance framework has been in place for the year ended 31 March 2019, and up to the date of the approval of the Statement of Accounts.

3. The Governance Framework Our vision, priorities and values

The Council's vision, priorities and values are set out in the Council Delivery Plan, which was adopted by Council on 20 March 2018.

The council's vision is that 'North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home'.

The Council's priorities reflect the overall vision and are detailed in a series of critical activities which are incorporated into annual departmental team business plans and the Medium Term Financial Strategy.

Our priorities are:

- Supporting Coalville to be a more vibrant, family friendly town
- Our Communities are safe, healthy and connected.
- Local People live in high quality, affordable homes
- Support for businesses and helping people into local jobs
- Developing a clean and green district.

We have developed our Best Employee Experience (BEE) programme to include five core values. These values will be integrated into our performance staff development and appraisal programmes.

The overarching value is “One Council, one team” supported by the following five values:

- Excellence – we will always work to be the best we can be
- Trust – We are honest fair and transparent and we value trust
- Respect – We respect each other and our customers in a diverse, professional and supportive environment
- Pride – We are proud of the role we play in making North West Leicestershire a happy healthy and vibrant place to live and work

- Growth – We will work together to grow and continually improve.

The key elements of our governance framework

We operate a cabinet style government with separation of executive and scrutiny functions. All Cabinet members have been allocated a specific portfolio and are responsible for driving forward the Council’s key strategic aims.

The Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people.

We have various layers of management within the organisation and our management teams each play an important role in governance framework.

Our corporate leadership team (CLT), comprises of the Head of Paid Service, Directors and all Heads of Service. The group meet fortnightly and are programmed as a series of themed sessions to focus individually on either business as usual, strategic issues, projects and programmes and the health of the organisation.

We also have a series of Directorate Management Team (DMT) meetings (held with Directors and Heads of

Service to consider strategic and operational matters relevant to specific directorates), Extended Leadership Team (ELT) meetings which include all Team Managers across the Council and the Chief Executive who help to shape the strategic direction of the Council

and feed in to CLT and Senior Management Team (SMT) meetings where Heads of Service meet with their respective Team Managers to consider specific service matters.

Role of the Council

The extent of the role of full Council in reviewing and monitoring effectiveness of internal control is set out in Article 4 of the Council’s constitution. Article 4 provides that the Council is responsible for setting the policy and budgetary framework. The ‘Call-in’ provisions found within the Constitution provide members of the Policy Development Group with a mechanism to scrutinise decisions of Cabinet where they feel that they have been taken outside the budget and policy framework.

The Council’s statutory officers who consist of the Head of Paid Service (the Chief Executive), the Monitoring Officer (Head of Legal and Commercial Services) and Section 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 as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Constitution of the Council is subject to a continuous review process which sets out matters reserved to Council, Cabinet and Committees for decision, all other decisions are delegated to officers. The Constitution has undergone a revision this year and the new version, which was actively reviewed by Members, was approved by Council in February 2019.

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

Role of Cabinet

The Cabinet 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.

Role of Audit and Governance Committee

The Audit and Governance Committee was responsible for ensuring that the Council's systems for internal control are sound by reviewing control mechanisms, and guidelines (both internal and external) and ensuring continued probity and good governance of the Council's operations. The Committee meets the external auditor to discuss findings in the Annual Audit Management Letter and reports.

Role of Scrutiny Groups

The Policy Development Group carries out the Council's Scrutiny function. The Scrutiny committees can "call in" a decision which has been made by the Cabinet but not yet implemented, to enable them to consider whether the decision is appropriate.

The Constitution contains a section on the "Principles of Decision Making", and non-compliance with one or more of those principles is a ground for "call-in" by the Scrutiny Groups.

Risk Management

The overall objective of the Council's risk management strategy is 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".

The Risk Management Policy was approved by Cabinet on 1 May 2018 and all reports to Council, Cabinet and Committees have a risk management section. A Corporate Risk Register has been developed and approved at both Corporate Leadership Team and by Elected Members. The Corporate Risk Register is accepted as a live document constantly under review for progress on managed risks and new risks that could impact on the Council. A risk review cycle has been developed that will allow closer links with the service planning process.

The Corporate Risk Group is represented by each of the Council's services. The CRG will identify new risks and review the corporate risk register. Review of corporate risks is part of the terms of reference of the Audit and Governance Committee. Risks are reported to Cabinet as part of the quarterly Performance Management Report.

Role of Internal Audit

The council's has a Public Sector Internal Audit Standards (PSIAS) compliant Internal Audit service that is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual work plan, progress against 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 as well as the Section 151 Officer and Monitoring Officer. The reports include an independent opinion on the adequacy of the applicable internal controls, audit findings and recommendations for improvements with an agreed timescale for implementation. Progress against recommendations is followed up by Internal Audit and reported to Audit and Governance Committee on a quarterly basis throughout the year.

The Internal Audit Report 2018/19 is due to be considered by the Audit and Governance Committee at its meeting on 24 July 2019.

The Chief Audit Executive (Audit Manager) intends on issuing the opinion that the Council's overall internal control arrangements are a Grade 2. In line with our Internal Audit opinion grade definitions, this means that the internal

control arrangements require improvement in some areas.

The opinion is based on the following:

- All internal audit work undertaken during the year.
- Assurance provided by the auditors of the Leicestershire Revenues and Benefits Partnership.
- Follow up audit work in respect of audit recommendations.
- The Audit Manager's knowledge of the Council's governance and risk management structure and processes.

The in-house Internal Audit team have issued three Grade 3 audit reports during 2018/19. These should be considered when preparing the Annual Governance Statement:

- *Gas and Solid Fuel Maintenance and Servicing Performance Monitoring*
The main areas identified for improvement were around delays in receiving performance information from the contractor, accuracy of performance reporting and assurances regarding the security of data held by the contractor. All of the audit recommendations have been implemented satisfactorily and in addition a specialist third party auditor has been appointed to provide independent assurance with regards

to the standard and quality of work undertaken by the contractor. The Head of Finance has also initiated the development of a contract management guide to provide support and guidance to officers who have responsibility for managing a contract.

- *Grounds Maintenance*
The main areas identified for improvement were around compliance with procurement rules and regulations, documenting procedures, calculation and evaluation of quotes and Health and Safety training arrangements. Follow up work has found that recommendations have been implemented satisfactorily.
- *Health and Safety Arrangements*
The main areas identified for improvement were around inspections of Council premises, roles and responsibilities, training records, monitoring, recording and demonstrating compliance with Health and Safety requirements. At the time of writing, the work to follow up the implementation of the recommendations is in progress and has recommendations have been satisfactorily implemented where due.

There were no Grade 4 audit reports issued during 2018/19.

A number of high priority recommendations were made in respect of other audit reviews undertaken, however as they tend to relate to specific systems and/or service areas and as such the Internal Audit Manager does not consider it necessary to include them in the Annual Governance Statement. The Section 151 Officer receives all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

The Role of External Audit

Mazars LLP has been appointed by the Public Sector Audit Appointments (PSAA) as the Council's external auditor for 2018/19. The auditor's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

External audit provide an opinion on the Council's financial statements and conclude on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (value for money conclusion).

The latest Annual Letter from the Council's appointed External Auditors for 2017/18, KPMG LLP issued unqualified opinions on the financial statements and Value for Money Arrangements of the Council.

These confirm that for 2017/18 the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year then ended and that the Council had proper arrangements for securing economy, efficiency and effectiveness.

How we comply with the CIPFA/SOLACE Framework

The following sections list the key elements of the systems and processes that comprise the council's governance framework

with a commentary setting out how the arrangements comply with each of the principles that are laid out in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

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

Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. The Council has a Members' Code of Conduct, Planning Code of Conduct, Licensing Code of Conduct and Citizens' Rights which are all set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance, the last review of these codes being completed in February 2019 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" by the Policy Development Group.

During 2018/19 the Audit and 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 whilst checking of the Member Register is also undertaken.

The Head of Paid Service, Section 151 Officer and Monitoring Officer meet regularly as a Statutory Officers Group. Their work includes monitoring compliance with standards of conduct across the Council, including both officers and members.

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.

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The “Monitoring Officer” function is carried out by the Head of Legal and Commercial Services who reports to the Chief Executive. The Legal Team Manager who has responsibility for legal matters and is also the “Deputy Monitoring Officer”, reports to the Head of Legal and Support Services.

Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

The “Head of Paid Service” role is undertaken by the Council’s Chief Executive. The Head of Human Resources and Organisational Development, responsible for all HR matters, reports to the Chief Executive.

Undertaking the core functions of an Audit Committee, as identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities

The Council has an established Audit and Governance Committee whose remit and functions are based on the guidance set out in the CIPFA/SOLACE 'External Audit in Delivering Good Governance in Local Government: Framework', 2016, which identifies best practice in relation to roles and responsibilities. The Committee meets

quarterly and receives regular reports from both the Section 151 Officer and the Audit Manager. Arrangements are in place for the Audit Manager to report independently to the Audit Committee should he/she feel it appropriate to do so.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two of the council’s statutory officers, the Section 151 Officer and the Monitoring Officer, have responsibility for ensuring that the Council does not act in an ultra vires manner, supported by the Head of Human Resources and Organisational Development, who facilitates the management and mitigation of risk, and the Audit Manager who provides assurance on matters of internal financial control.

There is an in-house, Lexcel accredited legal team. Lexcel is the Law Society’s legal practice quality mark for excellence in legal practice management and excellence in client care. The Legal Team work closely with all teams across the Council providing risk based advice.

The Human Resources function uses our Best Employee Experience (BEE) programme to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council.

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

The Council has in place appropriate whistle blowing policies and procedures which are regularly reviewed and updated where required. A revised Whistle Blowing policy was approved by Audit and Governance Committee on 25 March 2015. Staff are aware of the Whistle Blowing policy through the council’s intranet and as an integral part of the induction process for new starters. There is also a well-established and responsive complaints procedure to deal with both informal and formal complaints from customers and residents. Regular information relating to performance in respect of customer feedback is presented to Heads of Service and the Corporate Leadership Team.

In 2012 the Council adopted arrangements for dealing with complaints about the conduct of councillors which include an informal resolution stage facilitated by the Monitoring Officer. The Audit and Governance Committee have oversight of the complaints process and receive quarterly reports from the Monitoring Officer.

Principle B. Ensuring openness and comprehensive stakeholder engagement

Our range of communications policies sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to members of the public, including press releases, website content, social media and where relevant direct communication. Internally, we communicate with staff via team meetings, the intranet, blogs and Chief Executive's road shows for staff.

The Council has adopted a consultation framework which involves staff at all levels and a formal, regular mechanism of meetings with representatives and officials from the recognised Trade Unions is in place.

The council's scrutiny arrangements are designed to ensure that key elements were externally scrutinised and involve all sections of the community and stakeholders as necessary.

The council has recently developed a communications strategy for 2019/20 which aligns with the Council Delivery Plan and ensures that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy.

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

Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements

The Council participates in a range of joint working arrangements with other bodies. For those that deliver services to our customers there are service level agreements or contractual arrangements in place to ensure delivery and protect reputational risk. Should there be corporate risks based on partnership arrangements these will be detailed within the corporate risk register. The Council is particularly mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements, including the potential for a detrimental reputation impact on the Council should the partnership fail.

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

The Council is a partner in the Leicestershire, Leicester and Rutland Resilience Partnership (LRIP). All Councils at Unitary, District and Borough levels are members of the Partnership to bring together emergency management resources to prepare for and respond to civil emergencies within the Leicester, Leicestershire and Rutland area. The Head of Human Resources and Organisational Development is the council's representative on the LRIP Management Board.

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

The Council Delivery Plan and our Medium Term Financial Strategy detail how we have planned all our resources, both financial and staffing to deliver against our priorities.

The council's performance management arrangements include the business planning process which reflects all of the council's aims and objectives and aims to better align activities, improvements and resources. A set of clear and consistent Team Business Plans were developed for 2017/18.

All plans were and continue to be monitored throughout the year by management and portfolio holder cabinet members on a monthly basis and reported to cabinet publicly on a quarterly basis using a traffic light system to facilitate robust member challenge. After the month end, enabling managers to respond to issues in a timely manner, profiled financial monitoring reports which also project the outturn are reviewed by all budget holders and portfolio holder cabinet members on a monthly basis.

Similarly, financial performance is reported to cabinet on a quarterly basis.

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

The council’s “BEE Valued” programme includes rigorous recruitment and selection, performance management and staff development processes.

The Council fully supports the requirements to ensure that both members and senior officers have the necessary skills sets to fulfil their strategic role in the organisation. 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.

We recognise the critical role that a motivated, skilled and capable workforce plays in every aspect of service delivery.

Our People Plan that sets out the Council’s ambitions for a sustainable, effective and efficient workforce was approved by Cabinet in December 2018.

The Plan includes timetabled actions against five thematic areas including: being and employer of choice; developing and supporting staff; leadership; happy and healthy workforce; and communication and listening. Progress to implement the plan will continue through the forthcoming year.

In April 2019 the Council achieved Investors in People accreditation and feedback from the assessment will be utilised over the coming year to develop the organisation further.

The Council has recently revised and adopted its Corporate values and these are due to be embedded into the recruitment and appraisal process during 2019.

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

The Policy Development Group carries out 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 and risk. 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 and Governance Committee undertake the functions of an audit committee as identified by CIPFA guidance. It receives regular reports and presentations from the External Auditor and is independent of cabinet

The Council has a customer feedback complaints system and this information is used to improve service delivery and customer satisfaction.

The Council's Risk Management Policy was approved by Cabinet on 1 May 2018. The strategic risk register is reviewed and updated and scrutinised by the Audit and Governance Committee 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. 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. During the 2018/19 year, Team Managers and members of the Audit and Governance Committee separately attended risk management training sessions to ensure that those responsible for risk management have the appropriate knowledge to identify and manage risk.

As part of the council's Corporate Project Management Framework, all major projects have their own risk log. All reports going to members include the risk implications associated with the decision members are being asked to make.

The Council is committed to the effective use of IT and has an ICT strategy and IT Security Policy which were reviewed during 2018.

The Council's 2018/19 Treasury Management Strategy was approved by Council in February 2018, and risks are fully evaluated as part of this strategy.

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

Ensuring the Authority's Financial Management Arrangements Conform With the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

Formal arrangements are in place for the Section 151 Officer with a permanent employee appointed to this role. Adherence to the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) continues.

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

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

Committee on all matters appertaining to audit outcomes.

The Audit Manager and the Section 151 Officer meet on a monthly basis to discuss and review governance and risk matters.

4. Effectiveness

Review of Effectiveness

The Council has responsibility for conducting at least annually, a review of its governance framework including the system of internal control.

The review is informed by the Internal Audit Annual Report, the work of the Audit and Governance Committee, the comments of external auditors and other review agencies and inspectorates, and the work of the Corporate Leadership Team who have responsibility for the development and maintenance of the internal control environment.

The review considers evidence identified to support where the Council meets the CIPFA/SOLACE guidance and sets this out in the Assurance Review and Evidence document. Governance areas are given an assessment scoring as follows:

- Good – Good governance exists and there are no improvements required
- Fair – Satisfactory governance exists but improvements are required to meet good governance
- Poor – Significant issues with governance exist which needs addressing.

Areas identified as fair or poor are reported within the annual governance statement and remedial actions are also outlined. The Audit and Governance Committee review on a quarterly basis the progress of remedial actions.

Prior Year - 2017/18

The assurance review for 2017/18 identified no significant issues. Fourteen improvements were identified which are set out in the table below.

Five of the fourteen improvements remain outstanding and will now be captured and monitored as part of the improvements for 2018/19.

Full details of the review for the 2017/18 financial year can be found in the Assurance and Evidence document for 2017/18 which was published alongside the Annual Governance Statement.

Table 1 – Areas of improvement identified during 2017/18 and current status

Improvement Action	Status – May 2019
Review of Equality policy	<p>Complete Revised policy presented to PDG in February and approved by Cabinet 5 March 2019.</p>
Approach to consultation and engagement (to be considered as part of the review of the communications team and consideration of functions of community focus services)	<p>Carried forward as an ongoing improvement and scheduled for completion in 2019/20</p> <p>The council has recently developed a communications strategy for 2019/20 which aligns with the CDP and ensures that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy.</p>
Development of commercial strategy, to include review of need for a partnership working framework	<p>Complete. Commercial Strategy agreed by Cabinet October 2018. The need for a partnership working framework has been reviewed and discussed by the statutory officers. This review has now concluded that evidence of good partnerships across the board exists and where requirements around finance, governance and risk are present, formal agreements are in place (i.e Business Rates Pool).</p>
Review of the Business Improvement function	<p>Complete. Team review and reorganisation complete. Team now sits within HR and Organisational Development Team.</p>
Consider introduction of public consultation on budget proposals	<p>Complete. Annual Statutory consultation completed on 2019/20 draft Budget and embedded into budget process as routine. Approach to public consultation on budget proposals scoped. Proposals for 2020 Budget consultation due to be shared with CLT Q1 2019/20 before being presented to the Leader for approval to commence.</p>
Partnership Framework to be developed (as above)	<p>Complete The need for a partnership working framework has been reviewed and discussed by the statutory officers. This review has now concluded that evidence of good partnerships across the board exists and where requirements around finance, governance and risk are present, formal agreements are in place (i.e Business Rates Pool).</p>

Develop and implement People Plan	Complete People Plan approved by Cabinet in December 2018. Associated action plan now underway. Progress against the action plan will be reported to the Corporate Scrutiny Group on a six monthly basis.
Corporate Asset Management Strategy required to go with HRA Asset Management Strategy	Carried forward as an ongoing improvement and scheduled for completion during 2019/20 Development of the strategy has been delayed due to vacancies and is now scheduled to be completed in draft by the end of Q4, with approval at Cabinet approval in 2019/20.
Implementation of In-Phase	Complete In-Phase implemented for all team plans and performance reports from April 2019.
Complete outstanding actions identified as part of the internal audit of anti-fraud and corruption in 2016/17. Raise awareness of anti-fraud and corruption with staff	Carried forward as an ongoing improvement and scheduled for completion during 2019/20 Project scoped with Leicester City Council, report and recommendations due Q1 2019/20 and will be used to inform programme of fraud related improvements.
Embed finance business partnering model, including review of effectiveness and procure new finance system	Superseded by an ongoing improvement and scheduled for completion during 2019/20 Recruitment process ongoing to secure suitable individual to support procurement of new finance system. Finance Business Partnering model launched, further embedding process to be implemented via Finance and Business Plan.
Implement actions to address issues identified through Internal Audit of Sundry Debtors	Carried forward as an ongoing improvement and scheduled for completion during 2019/20 Actions underway as per Internal Audit report, some recommendations will not be fully implemented until 2019/20.
Review the Council's supplier hosted systems and introduce measures to ensure that a SOC 2 report (or equivalent) is obtained on an annual basis.	Complete ICT Team plan now has a task to review 3 rd party systems access for hosted systems.
Review and strengthen management and reporting arrangements for the Revenues and Benefits Partnership	Complete This is now complete, the new Head of Customer Services, attends multiple management boards and committees. Equally there is now Chief Exec representation on the joint committee and operational engagement on the operations board. All layers of management are now reflected.

2018/19

No significant governance issues were identified in the annual assurance review for 2018/19. There are five improvements carried forward from 2017/18. A further four improvements identified during 2018/19. There are therefore a total of nine improvements for monitoring in 2019/20. (Please note that the table below repeats improvement actions where they are relevant to more than once CIPFA/SOLACE principle).

Full details of the review can be found in the Assurance and Evidence document for 2018/19 which is published alongside this Annual Governance Statement.

The table below is an extract from the Assurance Review and Evidence document and includes details of the improvement areas identified. Please note that as improvements can cut across principles, some improvements are listed more than once.

Table 2 – Areas of improvement identified during 2018/19

CIPFA/SOLACE Principle	Improvement	Owner
Principle B: Ensuring openness and comprehensive stakeholder engagement	Develop guidance on our approach to consultation as part of the communications strategy (carried forward from 2017/18 Annual Governance Statement Review).	Head of Legal and Commercial Services
Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits	Review approach to presenting the economic, social and environmental impact of decisions within committee reports.	Head of Legal and Commercial Services
Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	Develop organisational requirements for benchmarking of services.	Head of HR and Organisational Development
	Corporate Asset Management Strategy required to go with HRA Asset Management Strategy (carried forward from 2017/18 Annual Governance Statement Review).	Head of Housing and Property
Principle F: Managing risks and performance through robust internal control and strong public financial management	Implement internal audit recommendations in respect of Health and Safety arrangements. Progress against this action will be reported via the Internal Auditors updates at Audit and Governance Committee.	Head of HR and Organisational Development
	Review implementation of In-Phase and scope improvements to performance and project management frameworks. Develop performance management framework.	Head of HR and Organisational Development

	<p>Completion of anti-fraud actions identified as part of anti-fraud and corruption audit to be completed (carried forward from 2017/18 Annual Governance Statement Review).</p> <p>Awareness raising of anti- fraud and corruption to take place amongst staff. Implement recommendations arising from the LCC review.</p>	Head of Finance
	<p>Implement actions identified within the Finance and Business Plan including the procurement of a new finance system (carried forward from 2017/18 Annual Governance Statement Review).</p>	Head of Finance
	<p>Implement actions to address issues identified in Internal Audit of Sundry Debtors (carried forward from 2017/18 Annual Governance Statement Review).</p>	Head of Finance

5. Overall opinion and conclusion

Conclusion

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issues identified in undertaking the annual review. The Council will continue to seek to enhance and strengthen governance arrangements within these areas for improvement and monitor progress made as part of our next annual review.

6. Statement of Leader and Chief Executive

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



Signed _____

Councillor Richard Blunt
Leader of the Council
25 July 2019



Signed _____

Bev Smith
Chief Executive
25 July 2019



Annual Governance Statement

Assurance Review

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May 2019

Assurance and evidence in support of the Council's annual governance statement

Assessment Score:

Good – Good governance exists and there are no improvements required

Fair – Satisfactory governance exists but improvements are required to meet good governance

Poor – Significant issues with governance exist which needs addressing

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

Supporting Principle 1: Behaving with Integrity

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
<p>1. Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</p>	Good	<p>Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules) Council, Cabinet, Committees</p> <p>Service policies</p> <p>Complaints procedure</p> <p>Head of Paid Service, Monitoring Officer and s151 Officer</p> <p>HR policies and procedures</p> <p>Anti-fraud and corruption policy, which includes whistle-blowing and other countering fraud arrangements</p> <p>Staff and member training including mandatory training for planning and licensing and appeals committees Induction for new members and staff.</p> <p>Codes of conduct</p> <p>BEE valued appraisal system.</p> <p>Standards and Ethics report taken to Audit and Governance Committee quarterly</p> <p>Corporate Leadership Team and extended Corporate management Team.</p> <p>External Audit reports Internal Audit reports</p>	None	None	

Requirement of local authorities to:	Assessment	Evidence	Significant issues	Areas for improvement	Lead
2. Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	Good	Council Delivery Plan Council's values as set out in the Council Delivery Plan	None	None	
3. Leading by example and using these standard operating principles or values as a framework for decision making and other actions	Good	Council leadership (Leader of the Council and portfolio holders) Declarations of interest noted. Up-to-date register of gifts and hospitality.	None	None	
4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	Good	Anti-fraud and corruption policy, register of interests and annual declaration of related parties. Whistle blowing policy which staff are aware of. Anti-fraud and corruption audit undertaken in 2016/17 identified a number of improvements required which are timetabled in an action plan. Complaints policy well established and continually reviewed, improved and reported on. Members and officers code of conduct refers to a requirement to declare interests Minutes show declarations of interest were sought and appropriate declarations made.	None	None	

Supporting Principle 2: Demonstrating strong commitment to ethical values

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Seeking to establish, monitor and maintain the organisation's ethical standards and performance	Good	Values embedded into induction process for officers and members and appraisals for staff. Standards and Ethics report taken to Audit and Governance Committee quarterly.	None	None	
2. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	Good	Values embedded into induction process for officers and members and appraisals for staff. Actions to implement an updated Behaviours and Skills Framework and further integrate behaviours and skills into recruitment and selection process included in the People Plan, approved November 2018.	None	None	
3. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	Good	Appraisal process built upon values of the Council. Revised Equality and Diversity Policy approved by Cabinet March 2019. Refreshed and adopted new set of Corporate Values in 2019 which are due to be embedded into recruitment and appraisal processes during 2019/20.	None	None	
4. Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	Good	Key partnerships have mechanisms in place to define role and scope of partners. Procurement exercises include assessment criteria around social value which is incorporate into contracts and subsequently monitored.	None	None	



Supporting Principle 3: Respecting the rule of law

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	Good	Constitution is adhered to and reviewed regularly. Statutory provisions are adhered to. Head of Paid Service, Monitoring Officer and s151 Officer in place.	None	None	
2. Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	Good	Job descriptions and roles of statutory officers are well defined and understood by the organisation. Structure of the CLT ensures statutory officers are included in key decision making. The Head of Finance and S151 role complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016).	None	None	
3. Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	Good	Arrangements in place for legal advice and recording of advice. All reports requiring a decision are considered by Finance, Legal and HR staff before being considered by the relevant decision making forum	None	None	
4. Dealing with breaches of legal and regulatory provisions effectively	Good	Proper arrangements in place for legal advice and recording of advice, Monitoring Officer referenced to give advice and ensure Council's operates within the law at all times.	None	None	
5. Ensuring corruption and misuse of power are dealt with effectively	Good	Whistleblowing policy, anti-fraud and corruption policy. Call-in arrangements.	None	None	

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Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Supporting Principle 1: Openness

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	Good	Council Delivery Plan and Annual Report. FOI requests actively responded to, website, online publishing of expenditure.	None	None	
2. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	Good	Record of decision making and supporting materials. Standard report format used. The Council's governance framework aims to ensure it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner; and that its use of public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.	None	None	
3. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	Good	Decisions well documented with supporting information and advice included. Forward Plan detailing report publication on a timely basis. Calendar of dates for submitting, publishing and distributing timely reports is adhered to Council, Cabinet and committee meetings are normally open to the public. The conduct of business is defined by formal procedures and rules that are set out in the Constitution.	None	None	

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
<p>4. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action</p>	<p>Fair</p>	<p>Customer and staff satisfaction surveys carried out regularly (e.g. Residents STAR survey in 2017). Consultation exercises carried out periodically (e.g. resident pop up events on housing estates). As part of the 2016/17 Annual Governance Statement an action was identified to consider the need for a separate Consultation Policy. This work has now completed and concluded that a separate Consultation Policy is not necessary. We follow statutory requirements for consultation and very often go above that in terms of community engagement.</p> <p>Communications principles in place.</p> <p>Ad-hoc approach to informal consultation in place and utilised.</p> <p>The council has recently developed a communications strategy for 2019/20 which aligns with the CDP and ensures that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy.</p>	<p>None</p>	<p>Develop guidance on our approach to consultation as part of the communications strategy.</p>	<p>Head of Legal and Commercial Services</p>

Supporting Principle 2: Engaging comprehensively with institutional stakeholders

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	Good	Formal and informal partnerships in place. Regular diarised meetings with appropriate senior officers and partners (including National Forest and East Midlands Airport).	None		
2. Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	Good	Partnership working across the authority is strong for example Revenue and Benefits Partnership, Internal Audit Shared Service. Approach to consideration of shared services embedded as part of alternative service delivery model reviews. Service Level Agreements. Partnership agreements exist. The organisation has a range of partnerships and collaborative relationships. They have appropriate legal agreements and governance commensurate with the nature of the partnership, depending on factors such as legal status, membership, risk, subject matter. They range from more informal arrangements such the Leicestershire Treasurers Association and County Monitoring Officers Group, to the more formal legal arrangements governing the R & B partnership and business rates pool. The council is represented on the LLEP which is was incorporated as a limited company on 1.4.19. The Council appoints its members to a variety of outside bodies at annual council each year. District Leaders group in place across Leicestershire. District Chief Executive group also in place	None		

across Leicestershire.
 Members Advisory Group (MAG) in place where Leicestershire Local Authority representatives meet with the Leicester and Leicestershire Economic Partnership to collaborate on growth issues, in particular the Strategic Growth Plan.
 Various Chief Officer groups across Leicestershire (i.e. LTA, CHOG).
 As part of the 2016/17 Annual Governance Statement, an action was identified to consider the need for a partnership framework. This review has now concluded that evidence of good partnerships across the board exists and where requirements around finance, governance and risk are present, formal agreements are in place (i.e Business Rates Pool).

<p>3. Ensuring that partnerships are based on: trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit</p>	<p>Good</p>	<p>As above.</p>	<p>None</p>
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Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Supporting Principle 1: Defining outcomes

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions	Good	The Council Delivery Plan defines the vision for the Council, including values and priorities. Service Plans are developed based on the Council Delivery Plan. The quarterly monitoring report and End of Year report details performance against the performance indicators.	None	None	
2. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	Good	Intended impacts set out in Council Delivery Plan and Team Business Plans. Plans in place to address impact of the introduction of Universal Credit, and the Homelessness Reduction Act.	None	None	
3. Delivering defined outcomes on a sustainable basis within the resources that will be available	Good	Team Business Plans developed for each service area. Monthly performance and finance reports monitored by CLT and Portfolio Holders; Quarterly reports monitored by CLT and Cabinet.	None	None	
4. Identifying and managing risks to the achievement of outcomes	Good	Monthly performance and finance reports monitored by CLT and Portfolio Holders; Quarterly reports monitored by CLT and Cabinet. Risks monitored within Team Business Plans and projects. Corporate Risk Register monitored by Corporate Risk Group and presented to Audit and Governance Committee on a quarterly basis.	None	None	
5. Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available	Good	Performance Indicators within Team Business Plans include agreed set of quality standard measures.	None	None	

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Supporting Principle 2: Sustainable economic, social and environmental benefits

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	Fair	<p>We actively consider the social and economic impact of policies in decisions. An example of this is social value considerations in procurement exercises.</p> <p>A recent example of the environmental impact of policies is the programme of solid fuel heating system replacements in Council homes where we are replacing solid fuel systems with renewable technology.</p> <p>Approach to presenting the economic, social and environmental impacts of decisions within committee reports to be reviewed.</p>	None	Review approach to presenting the economic, social and environmental impact of decisions within committee reports	Head of Legal and Commercial Services
2. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	Good	<p>Record of decision making and supporting materials made available publicly on website.</p> <p>Improvements arising from the 2016/17 assurance review have introduced a 5 year planning timeframe for the medium term financial strategy. The 2018/19 – 2022/23 Medium Term Financial Strategy was approved by Cabinet on 6 February 2018 and the Medium Term Financial Plan is updated twice per year (annual budget setting and assumptions revision July each year).</p>	None	None	
3. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	Fair	<p>As part of the 2016/17 Annual Governance Statement an action was identified to consider the need for a separate Consultation Policy.</p> <p>We follow statutory requirements for consultation and very often go above that in terms of community engagement.</p> <p>Ad-hoc approach to informal consultation in place and utilised. Elected members act in</p>	Develop guidance on our approach to consultation as part of the communications strategy.	Head of Legal and Commercial Services	

public interest. Record of decisions made available to public via website. Consultations on key projects with key groups.

Members abide by the code of conduct and all committee reports are prepared to reflect all the relevant options, risks and benefits – so members have all the relevant information in front of them when they make a decision. (

The Council is transparent in decision making. We publish all our agendas and minutes. We follow statutory requirements for consultation and very often go above that in terms of community engagement.

The council has recently developed a communications strategy for 2019/20 which aligns with the CDP and ensures that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy.

4. Ensuring fair access to services

Good

Equalities Officer in post. All new policies presented for approval require Equalities Impact Assessment to be completed and regularly reviewed as part of ensuring fair access.

Equality and Diversity Policy approved March 2019. Process in place for equalities impact assessments and action included in Equalities and Diversity Action Plan to assess current processes.

None

None

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting Principle 1: Determining interventions

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided	Good	All reports details options appraisals and risks associated with decisions. Standardised investment appraisal tool in development and due to be launched Q1 2019/20. Commercial Skills Programme in delivery. Development of Commercial Guide during 2019.	None	None	
2. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	Good	Car park strategy. MTFS. Statutory consultation on budget undertaken annually, could be widened to obtain views of service users. The Tenant Scrutiny Panel present reports to Cabinet recommending improvements or changes to housing services. As part of the 2016/17 Annual Governance Statement an action was identified to consider the need for a separate Consultation Policy. This work has now completed and concluded that a separate Consultation Policy is not necessary. We follow statutory requirements for consultation and very often go above that in terms of community engagement. Ad-hoc approach to informal consultation in place and utilised.	None	None	

Supporting Principle 2: Planning interventions

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	Good	<p>Calendar dates for all Council meetings agreed in advance, reports published in a timely manner ensuring a robust planning cycle.</p> <p>Monthly performance and finance reports monitored by CLT and Portfolio Holders; Quarterly reports monitored by CLT and Cabinet.</p>	None	None	
2. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	Good	<p>We regularly consult in some areas of the Council. Tenant Scrutiny Panel investigates and challenges how housing services are delivered.</p> <p>Council approach to consultation to be reviewed. As part of the 2016/17 Annual Governance Statement an action was identified to consider the need for a separate Consultation Policy. This work has now completed and concluded that a separate Consultation Policy is not necessary. We follow statutory requirements for consultation and very often go above that in terms of community engagement.</p> <p>Ad-hoc approach to informal consultation in place and utilised.</p>	None	None.	
3. Considering and monitoring risks facing each partner when working collaboratively including shared risks	Good	<p>Strong partnerships exist in some areas. Partnership agreements exist where necessary for financial/legal/governance/risk reasons, formal agreements are put in place.</p>	None		

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4. Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	Good	Delegated responsibility in some areas. Constitution is flexible.	None	None
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Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
5. Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	Good	KPIs established and approved for each service and included in Team Business Plans. Quarterly Performance Reports are considered by Cabinet.	None	None	
6. Ensuring capacity exists to generate the information required to review service quality regularly	Good	Performance is included to give context for decisions to be made where necessary. Improvement identified in the 2017/18 governance review to review the Business Improvement function. This review has now concluded and the corporate performance team now form part of the new HR and Organisation Development Team.	None	None.	
7. Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan	Good	Strategic and Financial Planning timetable reviewed and aligned for 2018/19 planning, enabling a more integrated approach.	None	None	
8. Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	Good	2018 – 2023 Medium Term Financial Strategy published in February 2018 includes 5 year planning timeframe. Medium Term Financial Plans refreshed twice per year. Commercial Strategy developed and approved in 2018 and implementation in progress, includes development of commercial opportunities to generate additional revenue to support the council's sustainable financial position.	None	None.	

Supporting Principle 3: Optimising achievement of intended outcomes

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	Good	MTFS and budget formulated with strategic view of service priorities and involvement of Members and CLT.	None	None	
2. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	Good	5 year Capital budget planning. Revenue currently only planned 1 year at a time. MTFS focuses on 3 year medium term. 5 year revenue planning introduced in 2017/18 as part of the 2018/19 budget planning.	None		
3. Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	Good	Financial summary of MTFS updated annually or more frequently if information is received warrants an update. Journey to Self-Sufficiency Programme launched in 2018 to lead the organisation in meeting the predicted deficit to 2024.	None	None	
4. Ensuring the achievement of 'social value' through service planning and commissioning.	Good	Social value considered through procurement processes. i.e. new build Council housing.	None	None	

Core Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Supporting Principle 1: Developing the entity’s capacity

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness	Fair	<p>Reviews of structures, ways of working and performance carried out as necessary.</p> <p>Interim Property Services team establishing an asset register so that strategy can be developed.</p> <p>Acquisitions and Disposals Policies.</p> <p>Selective disposal of HRA assets has taken place.</p> <p>Action identified as part of 2017/18 governance review to update Corporate Asset Management Strategy. Strategy due to be approved Quarter 2 2019/20.</p>	None	Corporate Asset Management Strategy required to go with HRA Asset Management Strategy.	Head of Housing and Property
2. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently	Fair	<p>Services encouraged to make use of APSE benchmarking subscription via Team Business Planning process.</p> <p>Organisational approach to benchmarking to be reviewed and requirements determined.</p>	None	Develop organisational requirements for benchmarking of services.	Head of HR and Organisational Development

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3. Recognising the benefits of partnerships and collaborative working where added value can be achieved	Good	Strong partnership working across the Council. Revenues and Benefits Partnership, Shared Internal Audit service. Strong partnerships exist in some areas. Partnership agreements exist where appropriate.	None	None.
4. Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	Good	Action included in 2017/18 governance review to develop the People Plan, which was subsequently approved by Cabinet in March 2019.	None	None.

Supporting Principle 2: Developing the capability of the entity's leadership and other individuals

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	Good	Regular Strategy Group meetings between the Leader, Deputy Leader, Chief Executive and Directors. Robust member induction programme, with specific and significant training planned. Use of mentor for Planning Committee Chair, Mandatory training undertaken by Planning and Licencing Committee Chair, Specific training programme for Audit and Governance Committee members and Scrutiny members. Commercial Skills training on decision making. Code of Conduct for all members.	None	None	
2. Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	Good	Regular review of delegation and financial regulations. Constitution.	None	None	
3. Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	Good	Clear roles and responsibilities with CE's objectives set and monitored by Members. External facilitation of CE appraisal by East Midlands Councils to ensure robust challenge.	None	None	

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
<p>4. Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> • Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged • Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis • Ensuring personal, organisational and system- wide development through shared learning, including lessons learnt from governance weaknesses both internal and external 	Good	<p>Members trained as and when required. Formal induction process for new administration and new members. Robust member induction programme, with specific and significant training planned. Use of mentor for Planning Committee Chair, Mandatory training undertaken by Planning and Licencing Committee Chair, Specific training programme for Audit and Governance Committee members and Scrutiny members.</p> <p>Commercial Skills training on decision making. Code of Conduct for all members.</p>	None	None	
<p>5. Ensuring that there are structures in place to encourage public participation</p>	Good	Have your say, Tenant groups.	None	None.	
<p>6. Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p>	Good	<p>Members performance monitored, Cabinet held to account by scrutiny and call-in arrangements. Corporate Peer Review scheduled for Q1 2019/20.</p> <p>2018 Planning Peer Review undertaken with recommendations accepted and implementations underway.</p> <p>Investor in People accreditation gained April 2019.</p>	None	None	

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
7. Holding staff to account through regular performance reviews which take account of training or development needs	Good	Staff development plans linked to BEE appraisals. People Plan approved in March 2019 with developments underway monitored by CLT.	None	None	
8. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	Good	Discount on leisure facilities for staff. Careserve, 24 hours service providing advice and counselling service around family, personal, debt, workplace, home and health issues. Coaching and mentoring available. Health and Wellbeing project established to develop and implement the employer Workplace health and benefits offer. Health and Wellbeing Strategy in place. Survey with Leicestershire and Rutland Sport to determine health of workforce. People Plan in place. Sickness management ongoing.	None	None	

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Supporting Principle 1: Managing risk

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	Good	<p>Risk Management system in place with regular monitoring at Team Manager/HoS level and CLT and Cabinet.</p> <p>As a result of improvements identified as part of the 206/17 governance review, the Audit and Governance Committee actively review risks on a quarterly basis and have also undergone risk management training.</p>	None	None	
2. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	Fair	<p>Risk management policy formally approved and adopted.</p> <p>Risk Management Policy approved at Cabinet 1 May 2018.</p> <p>In early 2019 an internal audit of the Grounds Maintenance Team and Health and Safety arrangements of the Council identified that there are inadequate arrangements to ensure that legislative requirements are adhered in respect of Health and Safety requirements. The Council is working towards implementing improvements and the effectiveness of these improvements will be monitored in 2019.</p> <p>Strengthened business continuity plans as a result of preparations for EU exit.</p>	None	<p>Implement internal audit recommendations in respect of Health and Safety arrangements. Progress against this action will be reported via the Internal Auditors updates at Audit and Governance Committee.</p>	Head of HR and Organisational Development
3. Ensuring that responsibilities for managing individual risks are clearly allocated	Fair	<p>Risk Management system in place with regular monitoring at Team Manager/HoS level and CLT and Cabinet. Each risk has an owner responsible.</p> <p>As above, In early 2019 an internal audit of the Grounds Maintenance Team and Health and Safety arrangements of the Council identified</p>	None		

that there are inadequate arrangements to ensure that legislative requirements are adhered in respect of Health and Safety requirements. The Council is working towards implementing improvements and the effectiveness of these improvements will be monitored in 2019.

Supporting Principle 2: Managing Performance

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	Fair	<p>Monitoring of service delivery currently completed through team business plans.</p> <p>Calendar of monitoring dates from Team Manager level to Portfolio Holder published and reporting dates adhered to by the organisation. Action identified in 2017/18 governance review to implement the In-phase system—a corporate performance management tool. In-Phase has now been implemented for all team plans and performance reports from April 2019.</p> <p>Further refinements to the performance management framework required post implementation of In-Phase and also required to ensure effective monitoring of projects.</p> <p>Development of performance management framework guide also required.</p>	None	<p>Review implementation of In-Phase and scope improvements to performance and project management frameworks.</p> <p>Develop performance management framework.</p>	Head of HR and Organisational Development

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
2. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	Good	Information discussed at Cabinet pre-meet and Strategy Group as necessary	None	None	
3. Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible  (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	Good	Scrutiny role established via 2 scrutiny committees: Community Policy Development Group and Corporate Policy Development Group, both functions have a work programme in place. Meetings held once per quarter and published in advance. Agendas and minutes published	None	None	
4. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	Good	Calendar of dates published and reporting dates adhered to	None	None	
5. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	Good	Standing orders in place. Approval reports separate from financial updates	None	None	

Supporting Principle 3: Robust internal control

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Aligning the risk management strategy and policies on internal control with achieving the objectives	Good	Risk management strategy, audit plan and regular audit reports.	None	None	
2. Evaluating and monitoring the authority's risk management and internal control on a regular basis	Good	Risk management policy with risks reviewed regularly by CLT and Cabinet. Risks should be monitored by the Audit and Governance Committee but this has not happened since November 2015. Due to improvements arising from the 2016/17 governance review, a cross-service Risk Management Group is established which meets on a quarterly basis to review risks. Risks are now regularly report to Audit and Governance Committee.	None	None	
3. Ensuring effective counter fraud and anti-corruption arrangements are in place	Fair	Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). Anti-fraud and anti-corruption policies in place. Anti-fraud and corruption audit undertaken in 2016/17 identified a number of improvements required which are timetabled in an action plan. Due to senior management changes a number of these actions remained outstanding at the 2017/18 governance review. The Head of Finance has since engaged Leicester City Council's shared fraud hub to undertake a fraud policy framework review and assess staff awareness of fraud. Recommendations from this review will be implemented in 2019/20	None	Completion of anti-fraud actions identified as part of anti-fraud and corruption audit to be completed (carried forward from 2017/18 Annual Governance Statement Review). Awareness raising of anti-fraud and	Head of Finance

				corruption to take place amongst staff. Implement recommendations arising from the LCC review.
4. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	Good	Annual governance statement, internal audit arrangements adequate with internal audit actively involved in service improvement.	None	None
5. Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon	Good	Audit committee complies with best practice. See Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) Terms of Reference in place for Committee. Training programme developed for committee members including subject areas of risk and understanding local government finance. Risk Management training undertaken in 2017/18 with finance sessions to enable committee members to approve the financial statements undertaken in 2018.	None	None

Supporting Principle 4: Managing Data

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	Good	Policies in place for data management and data protection. Designated data protection officer. Information Corporate Action Team in place to monitor safeguarding measures and lead strategy for the organisation supported by Information Champions in each department	None	None	
2. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Good	Data sharing agreements in place and data processing agreements where necessary. We are currently in the process of ensuring all suppliers are compliant with data protection and GDPR legislation. During the IT audit of 2017/18 it was identified by our external auditors that arrangements for obtaining and reviewing a Service Organisation Controls ("SOC 2") report from the service provider of the council's new hosted payroll software system was not in place. Since the 2017/18 governance review and resultant action, measures have been built into the ICT Team Plan to review all 3 rd party controls and SOC2 reports.	None	None	
3. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Good	Regular internal audits carried out.	None	None	

Supporting Principle 5: Strong public financial management

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	Fair	<p>Review of finance function during April 2017 identified some improvements in respect of support to service areas in respect of financial management.</p> <p>Finance Business Partnering model developed and launched in 2018 to achieve balance between budget holders and finance team in respect of responsibilities.</p> <p>Finance and Business Plan developed to further embed collective responsibility for financial management across the organisation and is due to be shared with Cabinet in July 2019. The plan includes actions to address non-compliance against the new CIPFA Financial Management Code which is due to be published in the Summer of 2019.</p>	None	Implement actions identified within the Finance and Business Plan including the procurement of a new finance system.	Head of Finance
06					
2. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Fair	<p>Budget monitoring reports and regular reviews, however greater engagement required between finance and services.</p> <p>New finance system to be procured to automate and make monthly reporting more efficient.</p> <p>In 2017/18, one Grade 3 Internal Audit report was issued in relation to sundry debtors. The report highlighted that procedures were weak. Further detail can be found in the Annual Internal Audit report. Actions to address the recommendations are at the time of completing this governance review not fully implemented.</p> <p>Finance and Business Plan developed to further embed collective responsibility for financial management across the organisation and is due to be shared with Cabinet in July 2019. The plan includes actions to address non-compliance against the new CIPFA Financial Management</p>	None	Implement actions identified within the Finance and Business Plan New finance system procurement to be undertaken. Implement actions to address issues identified in Internal Audit of Sundry Debtors.	

Code which is due to be published in the Summer of 2019.

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

Supporting Principle 1: Implementing good practice in transparency

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	Good	Website user friendly, annual report, reports written in 'plain English'. Annual Statement of Accounts for 2017/18 reviewed for accessibility, with revised format adopted for production of the 2017/18 statements.	None	None	
2. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	Good	Website user friendly, annual report, reports written in 'plain English'. Annual Report produced in accessible format.	None	None	

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Supporting Principle 2: Implementing good practices in reporting

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Reporting at least annually on performance, value for money and the stewardship of its resources	Good	Council Annual report, Statement of Accounts, End of Year report. Regular customer satisfaction surveys with results published in Annual reports.	None	None	
2. Ensuring members and senior management own the results	Good	Members and CLT approve reports	None	None	
3. Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	Good	Annual governance statement. As part of improvements identified in 2016/17 assurance review, evidence of assurance is documented and made available to users of financial statements. Progress against improvements reported to Audit and Governance Committee quarterly. The timetable for the production of the Annual Governance Statement improved for 2017/18 with review commencing in April 2018 and the statement published alongside the draft Statement of Accounts.	None	None	
4. Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	Good	Annual governance statement, application of policies where NWLDC works in partnership with other organisations.	None	None	
5. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations	Good	Format follows best practice	None	None	

Supporting Principle 3: Assurance and effective accountability

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring that recommendations for corrective action made by external audit are acted upon	Good	Recommendations from external audit acted upon. Compliance of Internal Audit arrangements with the Public Sector Internal Audit Standards. Regular communication between S151 Officer and Audit Manager. Regular reports to Audit and Governance Committee implemented during 2018 to update members in respect of progress made against external audit recommendations.	None	None	
2. Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	Good	Internal Audit report directly to Audit and Governance Committee. Recommendations from internal audit acted upon with internal audit being actively referenced to assist with service improvements. Compliance of Internal Audit arrangements with Public Sector Internal Audit Standards. Regular communication between S151 Officer and Audit Manager.	None	None	
3. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	Good	Peer challenge undertaken in respect of Planning. A number of recommendations were made and accepted by Council which are now timetable for implementation during 2018/19. Corporate Peer review scheduled for Q1 2019/20.	None	None	
4. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Good	Partnership approach in place with the Revenues and Benefits Partnership where management board and joint committee in place with regular meetings providing oversight. Improvement action identified in 2017/18 governance review to strengthen the management arrangements of this partnership and the management and reporting arrangements. Head of Customer Services now manages this relationship and attends	None	None	

management boards and committees. Chief Executive representation at Joint Committee and operational engagement on the Operations Board. All layers of management now reflected.

5. Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met

Good

Partnership approach in place with the Revenues and Benefits Partnership where management board and joint committee in place with regular meetings providing oversight.

None

None



NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE – 24 JULY 2019

Title of report	ANNUAL STATEMENT OF ACCOUNTS 2018/19
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk</p> <p>Head of Finance and Section 151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk</p>
Purpose of report	For the Committee to consider and approve the Annual Statement of Accounts for 2018/19.
Reason for Decision	To comply with the Accounts and Audit Regulations
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Risk Management	The presentation of audited accounts giving a true and fair view assists in maintaining the council's financial standing and reputation.
Equalities Impact Screening	No impact.
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	External Auditors (KPMG)
Background papers	<p>Working papers held in the Financial Planning section.</p> <p>Statement of Accounts 2018/19 (unaudited) – https://www.nwleics.gov.uk/files/documents/draft_statement_of_accounts_2018_19/Statement%20of%20Accounts%20310519%20%28note23%20updated%29.pdf</p> <p>Public Audit Notice 2018/19 - https://www.nwleics.gov.uk/files/documents/notice_of_inspection_2018_19/Notice_of_inspection_201819.pdf</p>
Recommendations	(A) THAT THE COMMITTEE APPROVES THE ANNUAL STATEMENT OF ACCOUNTS

	<p>(B) THAT THE COMMITTEE CHAIR IS AUTHORISED TO SIGN THE ACCOUNTS AS APPROVED</p> <p>(C) TO DELEGATE AUTHORITY TO THE COMMITTEE CHAIR AND SECTION 151 OFFICER TO APPROVE ANY MINOR NON MATERIAL AMENDMENTS, AS AGREED WITH THE AUDITOR, TO THE ACCOUNTS ON BEHALF OF THE COMMITTEE</p>
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1.0 BACKGROUND

- 1.1 The unaudited accounts were signed off by the Head of Finance and Section 151 Officer on 31 May 2019 in line with statutory requirements. The final audited version of the Statements are due for approval by 31 July 2018, again, in line with statutory requirements.
- 1.2 The Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties with clear and comparable information about the authority's finances.
- 1.3 The accounts of local authorities in the United Kingdom are required to be developed in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) 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.
- 1.4 The Code is based on International Financial Reporting Standards ('IFRS'), amended as necessary in respect of legislation governing local authorities.
- 1.5 The Council prepares its accounts in line with the 'Code' (and therefore IFRS) and its local accounting policies that were agreed by the Committee at its March 2019 meeting.
- 1.6 The format of the accounts is effectively prescribed and is set out as follows:

Section of Statements	Purpose
Narrative	To provide the reader with an understanding of North West Leicestershire as a place, the council and its priorities, the wider economic background and the non-financial and financial performance of the council in 2018/19
Statement of Responsibilities	Shows the responsibilities of the Council and Chief Financial Officer for these accounts
Comprehensive Income & Expenditure Account (I&E)	Presents the cost of each functions and how they were financed. This is a core statement
Movement in Reserves Statement	Presents the movement in reserves during the year between usable and unusable reserves, and the actual change to the reserves after all adjustments. This is a core statement
Balance Sheet	Presents all of the Council's assets and liabilities at the year end, both long and short term. This is a core statement
Cash Flow Statement	Sets out the flow of cash into and out of the Council. This is a core statement
Notes to the Financial	These explain in more detail the makeup of the various

Statements	amounts included in the core statements.
Accounting Policies	Technical explanation of main policies and assumptions used in preparing the accounts
HRA (Housing Revenue Account) Income & Expenditure Account	This statement 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.

- 1.7 The Statements 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.
- 1.8 In preparing the draft statements, a restatement was made core statements to correct further errors identified in the capital accounting of the Council's Council Housing Stock. At the time of writing this report, the external auditors are in the final stages of auditing this position. Further details can be found in section 2 below.
- 1.9 During the audit of the draft statements, information surrounding the value of the council's pension liability has required an adjustment to the figures contained in the draft statements. The final statements at Appendix A include revised figures in respect of pensions. More detail can be found surrounding the reasons for this in Section 3.

2.0 RESTATEMENT IN RESPECT OF THE COUNCIL'S HOUSING ASSETS

- 2.1 As part of the audit of the 2016/17 accounts and issued auditor's report, a commitment was made by the Head of Finance and Section 151 Officer to undertake a review of the councils capital position in response to there being recurrent issues identified by the external audit team in respect of capital accounting during the audit of the accounts between 2014/15 and 2016/17.
- 2.2 During the audit of the 2017/18 financial statements, errors were identified in the methodology used to prepare the value of council's housing stock.
- 2.3 The error identified concerned capital accounting, going back to 2007, and the treatment of revaluation gains (which occur when the annual valuation is higher than the previous years) and how they are accounted for. The issues identified did not affect the General Fund or HRA or the amount of useable reserves we hold - the errors are in relation to the revaluation reserve and capital adjustment account, which are "unusable reserves" of unrealised gains.
- 2.4 Amendments were made to the 2017/18 draft statements to correct the historic issues and in year revaluation accounting entries. This led to a delay in the completion of the 2017/18 audit and publishing of the final version of the annual accounts.

- 2.5 The final position presented in the council's 2017/18 final accounts in October 2018 included a restatement of the Council's core statements, HRA Accounts and Notes and other relevant Notes, including an additional note to detail the reasons for the prior period adjustment (Note 39). The revised 2017/18 accounts were audited and an unqualified opinion was issued in October 2018.
- 2.6 In order to further improve the methodology in preparing the financial statements the Council opted to move away from its manual spreadsheet approach, which is inherently more vulnerable to error, and to a best practice, computerised Fixed Asset Register software package. In moving to this new system further material errors were identified in the balances of the Revaluation Reserve and the Capital Adjustment Account.
- 2.7 As before, the issues did not affect the General Fund or HRA or the amount of useable reserves we hold (the errors are in relation to the revaluation reserve, which is an "unusable reserve" of unrealised gains).
- 2.8 A restated position was presented in the draft 2018/19 statements and subsequently audited by the council's external auditors Mazars LLP. At the time of writing this report, the external auditor is in the process of finalising their testing and will update the Committee at its meeting on 24 July 2019.
- 2.9 The statements in Appendix A include this restated position on all core statements. Note 40 sets out the adjustment in detail.
- 2.10 To track the effects of the restatements requires a reader to compare the Balance Sheet and Comprehensive Income and Expenditure Statements for the 2017/18 financial year within the:
- Published final accounts for 2017/18; and
 - Final accounts for 2018/19 (Appendix A)

3.0 RESTATEMENT IN RESPECT OF THE COUNCIL'S PENSION LIABILITY

- 3.1 The Council has a pension liability on its balance sheet due to the scheme being in deficit. A pension scheme is in deficit if it doesn't have enough money to pay the pensions of the people who are entitled to receive one in the future (based on the level of future contributions and the performance of scheme assets).
- 3.2 The council's pension contribution rates are based on a future service rate which is the cost of paying for future service as it accrues. The Council also pays an adjustment to pay off the deficit over 20 years – this additional amount has increased over the last 3 years, from £131k in 17/18 to £349k in 19/20. The next triennial valuation rate will confirm the next three years additional contributions and the contribution rate itself – we will receive this later this year.
- 3.3 The Council receives an annual 'IAS19' report that details an actuarial valuation of the pension scheme at the end of the financial year. The report for 2018/19 was received in April 2019 and was used to report the council's position in respect of pensions in the annual accounts.
- 3.4 In order to produce the IAS19 reports for the Accounts by mid-April the Actuary use estimates of the value of Pension Fund assets as at 31 March 2019. The actual asset values are not known for many of the assets and pooled investment funds until May. However this year due to significant variations in asset valuations the difference between the estimated position at 31 March 2019 included in the IAS19 report and the actual position confirmed in May 2019 represented a material movement.

- 3.5 In addition to this, the Local Government sector has been affected by an accounting issue that affects the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary had not made an allowance in its valuation for either of these cases and early guidance given to councils was that the impact would not be material.
- 3.6 Subsequent to this, an additional valuation was obtained from the actuaries in July 2019 confirming that the combined effect of these cases on the valuation of the pension deficit is material.
- 3.7 As such, the final accounts presented at Appendix A include an adjusted position for the council's pension liability which is in line with actual performance for the 2018/19 year and the GMP and McCloud rulings.

4.0 OTHER CHANGES TO ACCOUNTS

- 4.1 At the time of writing this report, aside from those outlined in section 3 surrounding the council's pension liability, there are no further audit adjustments to the draft accounts required by the auditors.
- 4.2 It is therefore recommended to delegate authority to approve any minor non-material amendments (as agreed with the external auditors) to the Head of Finance and Section 151 Officer in liaison with the Committee Chair.

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North West
Leicestershire
District Council
Annual Statement of Accounts 2018 -19



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Section 1 Narrative and Auditors Report

1. North West Leicestershire as a place

North West Leicestershire is a thriving, vibrant district located in the heart of the National Forest. Over 100,000 people live across the district, the majority of which are in our principal town Coalville, or the settlements of Ashby de la Zouch, Castle Donington, Ibstock, Kegworth and Measham. All are nestled within 27,900 hectares (108 sq. miles) of attractive countryside.

North West Leicestershire is a great place to do business. Our proud industrial heritage has blossomed into a varied economy that includes wholesale, retail, transportation, manufacturing and quarrying. As of 2018 we have around 4,250 businesses located within the district – a rise of 20% since 2010. We are home to 52 of the largest companies in Leicester and Leicestershire, according to the 2018 Leicester Mercury Top 200 Businesses.

Our economy is thriving as a result. We were ranked in the top 20% of local authorities for prosperity in Grant

Thornton's 2018 Vibrant Economy Index and unemployment level of 1.5% was lower than both the regional and national figures of 2.2% and 2.7% respectively. This is the result of our excellent location and transport infrastructure. We sit within the golden triangle of the M1, M6 and M42 motorways, which, along with the A50, links us to the major nearby cities of Birmingham, Derby, Leicester and Nottingham. We host the UK's largest pure freight airport – East Midlands Airport in Castle Donington.

In 2019 we launched a new four year Economic Growth Plan to build on the significant investment we have seen in the past four years and continue to develop a successful, sustainable economy by showcasing our location, transport infrastructure and attractive natural, cultural and heritage assets.



- North West Leicestershire District Council:
 - Collects over £120 million in council tax and business rates but retains only £11 million of this amount to provide essential services such as waste and recycling collection
 - Generates over £9 million of income
 - Collects nearly £18 million in rent payments in respect of our 4,262 council homes.
 - Holds £277 million of assets for service delivery, council housing provision and investments
- The Council is financially strong. We are part of the Leicestershire Business Rate Pool, have strong housing growth, and have been successful in delivering an ongoing balanced budget. We currently hold generous reserves, in a position where redeeming debt can be repaid and have a clear financial plan.
- But the local government finance landscape is changing. There are three central government reviews

underway which will be implemented from April 2020: the Fair Funding review; Business Rates Reform; and Local Government Spending Review and we continue to assess the anticipated adverse impact this is likely to have through our biannual review of our Medium Term Financial Plan.

- We are mindful of further demographic and business growth in North West Leicestershire and we will continue to monitor and respond to these pressures.

2. The council

Governance

We operate a cabinet style government with separation of executive and scrutiny functions. All Cabinet members have been allocated a specific portfolio and are responsible for driving forward the Council's key strategic aims.

Every year we undertake a review of our governance framework, assessing against the principles of the

CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016. This 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. Our Annual Governance Statement summarises our view of the arrangements and can be found on our [website](#).

Our priorities

The Council's vision is that "North West Leicestershire is a place where people and business belong and are proud to call home". Our Council Delivery Plan for 2019/20 sets out our priorities and aims for the coming years. Our priority areas are:

- Supporting Coalville to be a more vibrant, family friendly town.

- Our communities are safe, healthy and connected.
- Local people live in high quality, affordable homes.
- Supporting business and helping people into local jobs.
- Developing a clean and green district.

The priorities are underpinned by a balanced budget, a constant focus on value for money, local income generation where appropriate and a prudent approach to future challenges to our funding and expenditure.

Our vision is supported by four key programmes that were launched in 2017/18, each of which oversee the delivery of multiple projects:

- **Customer First** – making sure we put customers at the heart of what we do, driving and improving services and increasing the choice customers have in where, when and how they engage with the council
- **Place** – co-ordinating projects that will develop and shape our environment, both built and

natural, ensuring delivery of quality homes and facilities for our residents and business

- **People** – making sure we develop our staff to have the skills for a 21st century business, valuing our staff and transforming the organisation
- **Journey to Self-sufficiency** – having effective financial management that increases our resilience and adaptability to changing financial pressures.

Who works for the council?

The council employed 703 individuals at the end of March 2019 across a wide range of services. The majority of the council's services are provided in-house, and our employed positions reflect this, with roles across many job types including manual operatives, skilled tradesmen and accredited service professionals. Of our total employees, about 372 are full time and 331 are part time positions.

We also employed 21 apprentices.

On the 1 May 2019, the council outsourced its Leisure Centres to Everyone Active. As part of the outsourcing, 210 individuals transferred to the new leisure provider.

Our People Plan

Having a motivated, skills and capable workforce are critical to delivering our vision, our Council Delivery Plan and high quality services for our community. That is why we have developed a new people plan this year to deliver our ambition of having a sustainable, ambitious, effective and efficient workforce that reflects the local communities we serve. The plan is based on five themes:

- Being an employer of Choice.
- Developing and Supporting Staff.
- Leadership.
- Happy and Healthy workforce.
- Communicate and Listen.

The plan will help us support staff to be the best they can be, give us the flexibility to shift resources, attention and mechanisms of delivery so we can thrive in the constantly changing and evolving nature of Local Government. We have already started to deliver a programme of work to support the plan. For instance, in March 2019 we gained Investors In People accreditation.

During the year, we also adopted new corporate values with staff. Our values reflect how we want to be as a Council:

Trust – We are honest, fair and transparent and we value trust

Respect – We respect each other and our customers in a diverse, professional and supportive environment

Excellence – We will always work to be the best that we can be

Pride – We are proud of the role we play in making North West Leicestershire a happy, healthy and vibrant place to live and work

Growth – We will work together to grow and continually improve.

Our Values



3. The council's performance

We have made significant progress towards our priorities in 2018/19. Below is a summary of some of our key achievements for the year under each of the council's five priorities for 2018/19. You can find our full End of Year report on our website [here](#).

Building confidence in Coalville

- We undertook repairs to Memorial Clock Tower in Coalville using council funding and money from the Heritage Lottery Fund and the War Memorials Trust.
- We undertook our promotion of Coalville Market and as a result 16 new traders joined and weekly visits from customers increased by 14% on the previous year.
- We completed the purchase of the former "Litten Tree" pub on Marlborough Square. This will become the new venue for an indoor and outdoor new market location.

Value for money

- We started to implement our 'Customer First' programme, which puts customers at the heart of all our work with the development of our Customer Experience Strategy
- We also developed our Commercial Strategy which sets out our commercial approach which focusses on 'Being More Business-like'.
- We completed procurement to award a contract to Everyone Active, an external leisure provider who will build a new state of the art leisure centre in Coalville and improve Hood Park Leisure Centre in Ashby and operate the centres on behalf of the Council.

Homes and communities

- We adopted a Health and Wellbeing strategy during the year. The strategy will focus on delivering health and wellbeing improvements with partner agencies and within the Council.
- We worked hard to maximise the economic benefits and

minimise the negative impacts from the proposed HS2 route which is planned to travel through our district. Our consultation response defended land, businesses, green spaces and historic buildings around Measham and our response was taken on board with the revised proposed route taking a different path to the west of the area.

- We launched our Good Design Supplementary Planning Document (SPD) to make sure developments across the district are built to a high standard.

Businesses and Jobs

- We were successful in engaging young people to our apprenticeships programme and met our government quota target during the year.
- We worked in partnership with Ashby Town Council to achieve 'Purple Flag' status for Ashby-de-la-Zouch town centre.
- We developed our Economic Growth Plan which sets out our ambitions for North West

Leicestershire and, how working cooperatively with our partners, we will continue to develop a thriving and sustainable economy.

Green Footprints

- We developed our Recycle More strategy which is set to go live in April 2019. This strategy sets out how we will increase recycling rates across the district.
- We completed a feasibility study on installing electric charging bays in council-owned car parks. As a result, two electric charging points will be provided in Ashby in 2019/20.
- We are proud to have achieved 'Green Flag' status for Coalville Park during the year.

4. The council's financial performance

Financial context and outlook

North West Leicestershire District Council is responsible for managing cash flows and assets exceeding £328 million each year. Of this amount:

- £277 million relates to the value of our assets, of which £262 million of these are held for providing council services and £13 million are held as investment property. The remaining £2 million of assets are made up of heritage, intangible and surplus assets.
- Over £20 million relates to grants we receive and local income that we raise in the form of fees and charges. We use this funding and income to deliver services and keep council tax down. In addition we collect nearly £18 million in rent for council homes.
- We collect just over £62 million in business rates. We retain 8.5% of business rates (after paying

our tariff to central government), and pass on approximately 10% to our major preceptors Leicestershire County Council (LCC) and Leicestershire Fire and Rescue Service (LFRS). 4% paid is the contributed into the Leicester and Leicestershire Economic Partnership to support economic growth in Leicestershire. The remaining 77.5% goes to central government.

- We collect £58 million in council tax from residents in the District. We retain just 9% of this amount after £2 million is passed to Parish and Town Councils, with the remainder passed on to LCC, LFRS and PCC.

Like all Local Authorities, we have seen a continued reduction in the level of Revenue Support Grant we receive from central government.

Despite this, the council has remained financially resilient whilst maintaining its policy to freeze our share of council

tax for the ninth year in 2018/19, at £158.58 for a Band D property. This means that all of our growth in respect of council tax income results from growth in the number of homes in North West Leicestershire.

We received £480,000 more in business rates income than we anticipated to in 2018/19. This was because we received more in Section 31 grants (which are additional amounts of funding given to us to ensure that we don't lose out due to central government decisions) were

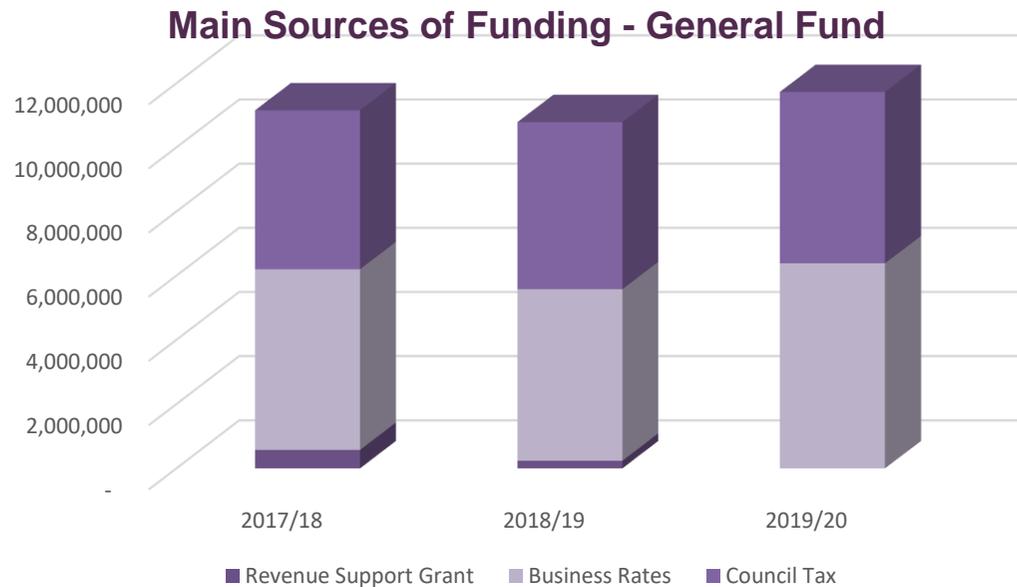
higher than we had originally forecast in our budget.

We are pleased that our ability to collect the £18 million worth of rent payments that are due from tenants has not been significantly impacted by the introduction of Universal Credit this year. We have a dedicated Support Officer in place to continue to assist tenants through the welfare reform changes as the roll out of Universal Credit continues.

At the end of the 2018/19 year, we had a balance of £48 million invested which

earned us interest on balances throughout the year of £401,000 for the year. However, from 2019/20 and beyond, we do not expect to receive this level of income. This is because the council has awarded a contract to Everyone Active who will run the Council's leisure centres and build a new, state of the art leisure centre in Coalville to support the council's priority of regenerating and building confidence in Coalville and to meet growing demand for our leisure service. The new £23 million facility will be funded through a mixture of reserves, capital receipts and external borrowing. The project will reduce the overall cost of providing leisure centres in the district. Although we expect a reduction in our investment returns post 2020 as we invest our surplus funds into the new leisure centre, we will no longer run a loss-making service and will instead generate an ongoing revenue return, therefore improving our long term financial position whilst contributing to the improved health and wellbeing of our residents.

At 31 March 2019 our level of borrowing was £81.3 million, which



was £1.1 million lower than the previous year due to the repayment of Housing Revenue Account self-financing loans taken out in 2012. We did not borrow in 2018/19 and our balance sheet forecast presented to Council in February 2019 shows that the authority does not expect to need to borrow until 2020/21 as a result of utilising internal reserves held to fund our new Coalville Leisure Centre. We are mindful of the government's Fair Funding Review, Business Rates Reform and Local Government Spending Review and the likely adverse impact to our future cash flows. We are closely monitoring the progress of the review and assessing the likely financial impact proposed changes will have through biannual reviews of our Medium Term Financial Plan.

We hold a generous £30 million in reserves, with £13 million in place to repay HRA Self-Financing loans due for redemption in 2022 and £4.2 million specifically set aside to protect the Council from projected future deficit years and the risk of being unable to deliver a balanced budget. We also maintain healthy and prudent, member

approved minimum levels of reserves of £1.5 million and £1 million for the General Fund and HRA respectively.

We expect to remain financially resilient in managing our cash flows going forward.

Our Medium Term Financial Strategy 2018 – 2023 and self-sufficiency

Our Medium Term Financial Strategy (MTFS) was adopted by Cabinet in February 2018. The strategy introduced a new approach for the council in assessing its rolling five year position and the likely financial resources required to deliver the council's strategic priorities and essential services. The strategy also launched our Journey to Self-Sufficiency programme that promotes self-sufficiency and the safeguarding of the council's financial position against anticipated future central government funding changes whilst also maximising the use of government grant and local income.

The strategy's Medium Term Financial

Plan is looked at on a biannual basis - the plan is rebased in February as part of setting the forthcoming year's budget and also reviewed the following July to assess the impact of the previous year's outturn and assess the reasonableness of assumptions in light up more up to date information. Our latest version of the plan predicts future in-year deficits (net of surpluses arising in the 2019/20 and 2020/21 financial years) totalling £5.2 million to 2024 on the General Fund as a result of increasing cost pressures, reduction in Revenue Support Grant, and, from 2020 an anticipated significant reduction in retained business rates income and New Homes Bonus funding as a result of the implementation of the government's ongoing Business Rate Reform and Fair Funding reviews.

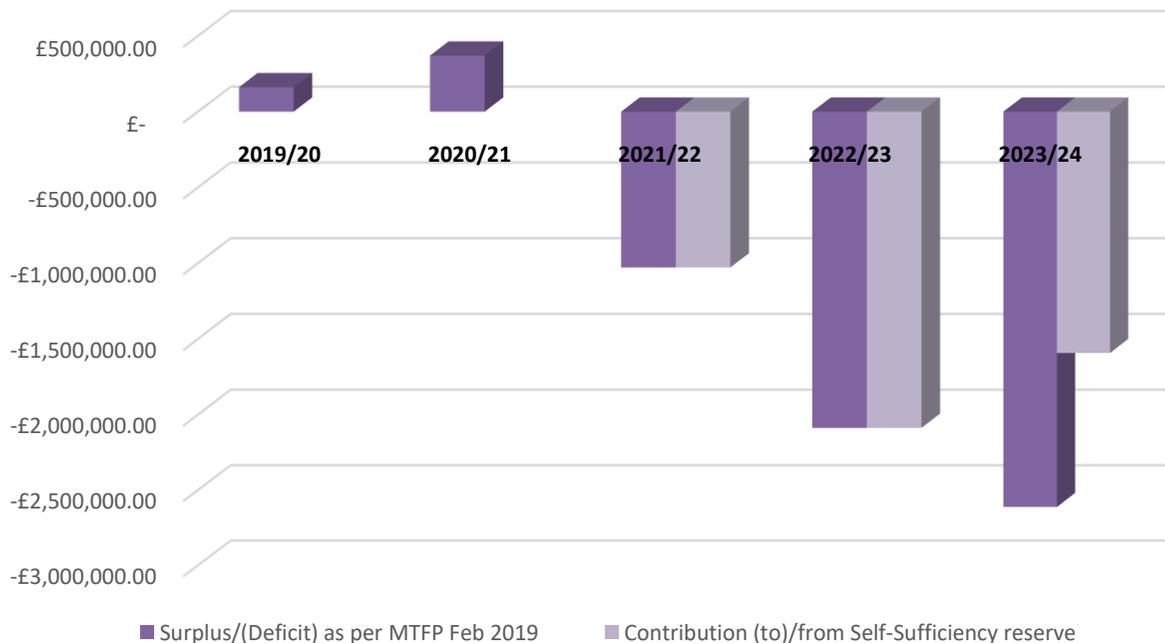
In implementing the Medium Term Financial Strategy, we created a self-sufficiency reserve that will be used to balance future projected deficit General Fund budgets and/or to fund initiatives that reduce ongoing expenditure or generate additional income. As at 31 March 2019, this reserve stood at £4.2 million and it is

planned that the budgeted surpluses forecast to arise in 2019/20 and 2020/21 will contribute to this reserve, taking the reserve to £4.7 million by March 2021. This means that if we were to use this reserve to balance deficit years only, we would be able to meet the majority of the projected deficits that arise between 2022 and 2024.

We are conscious that we can only utilise this reserve once, and so through our Journey to Self Sufficiency Programme we have established a number of work streams to ensure that we are able to take advantage of opportunities to reduce our expenditure and generate additional local income. During 2018/19, the Journey to Self-Sufficiency Programme has:

- Developed a **Commercial Strategy** which sets out how we will focus on income generation and develop the culture of the organisation to become more business-like.
- Committed to **Reducing our Corporate Costs** by establishing a work stream to identify and make savings against the way we deliver our services.
- Started to review our **Asset Management** approach by developing a new Asset Management Strategy and by engaging a commercial property consultant to undertake a market valuation of our commercial properties.
- Changed the way in which we set our **Budget** by challenging service areas to deliver target savings and more robustly forecast anticipated grant funding, income and expenditure. For the forthcoming 2019/20 year, this meant that we limited the increase in the forthcoming budget to just 1% compared to 2018/19. We also implemented a new **Financial**

Our Projected Budget Position Offset by our Self-Sufficiency Reserve



Management approach to monitoring and controlling spend with our 'Finance Clinics' where managers meet with Finance on a monthly basis to track and forecast our financial position and to identify potential savings, efficiencies and more cost advantageous ways of working.

Our Medium Term Financial Strategy 2018 – 2023 can be found on our website [here](#).



Grace Dieu Priory, Thringstone

General Fund

Our General Fund account summarises the expenditure on the council's main services which are paid for in part by council tax.

We budgeted to contribute £299,000 into our self-sufficiency reserve balances in 2018/19. We achieved an outturn of £1.525 million, with £1.424 million transferred to the self-sufficiency reserve taking the balance of the reserve to £4.2 million. We transferred the remaining the remaining £100,500 into earmarked reserves to fund one-off projects.

General Fund		2018/19		
		Original Budget £'000	Outturn £'000	Variance £'000
1	Chief Executive	287	280	-7
2	Human Resources & Organisational Development	558	507	-51
3	Legal & Commercial Services	1,309	1,267	-42
4	Strategic Director of Place	341	269	-72
5	Community Services	5,640	5,892	252
6	Planning and Infrastructure	435	195	-240
7	Economic Development	743	657	-86
8	Joint Strategic Planning	8	8	0
9	Customer Services	2,195	1,826	-369
10	Finance	826	914	88
11	Housing & Asset Management	648	634	-14
12	Other	281	115	-166
13	Corporate And Democratic Core	45	30	-15
14	Non-Distributed Costs	87	248	161
15	Net Recharges	-1,273	-1,298	-25
16	Net Financing Costs	1,080	1,024	-56
17	Investment Income	-145	-269	-124
18	Localisation Of Council Tax Grant	139	139	0
19	Revenue Contribution To Capital	0	78	78
20	Debt Restructuring Premium	0	23	23
21	Transfer to Self Sufficiency Fund	299	1,424	1,125
22	Transfer to Earmarked Reserves	0	101	100
23	Transfer To S106	0	385	385
24	Section 106	0	-422	-422
25	Net cost of service after recharges	13,503	14,027	524
26	Revenue Support Grant	235	235	0
27	New Homes Bonus	2,905	2,905	0
28	Transfer From Collection Fund	289	289	0
29	Other Grants	0	8	8
30	Council Tax	5,210	5,210	0
31	Levy account surplus	0	36	36
32	National Non Domestic Rates Baseline	4,864	5,344	480
	Total Funding	13,503	14,027	524

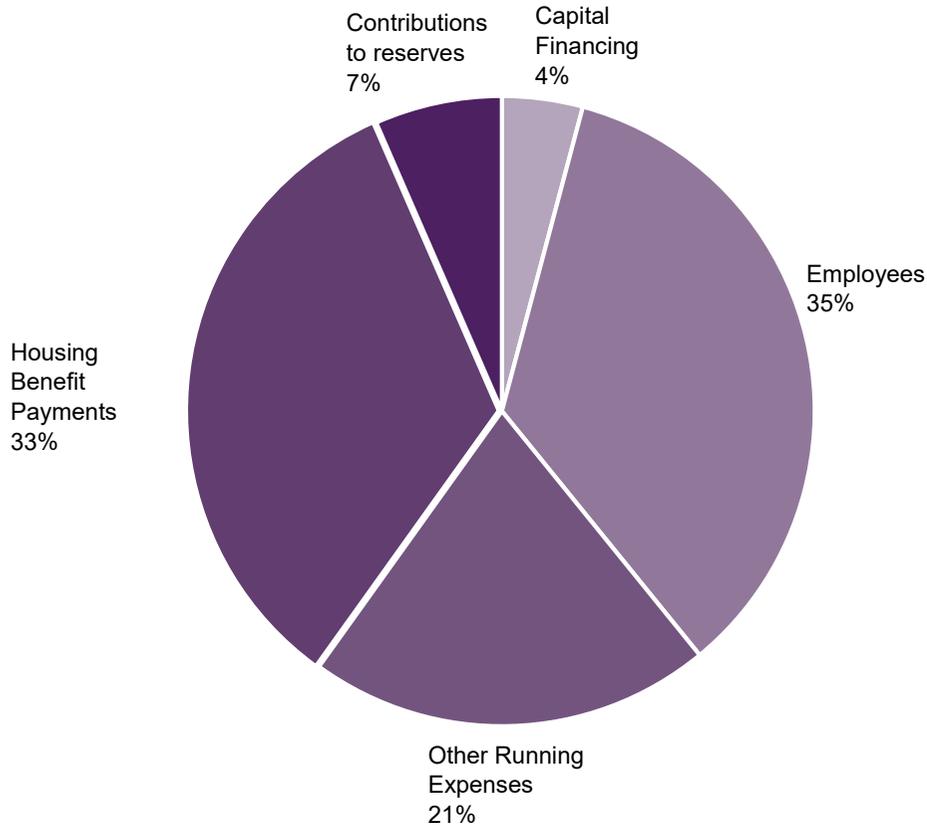
The additional surplus was achieved through a number of favourable variances, the majority of which had been forecast throughout the year. The largest was an additional £480,000 income from business rates as a result of additional Section 31 grants that we had not anticipated in our budget. We also spent £430,000 less on salaries than expected due vacant posts and the effects of a senior management and a number of service restructures undertaken just prior to and during the year that were not built into our budgets.

Other major variances in 2018/19 include an increase in the budgeted deficit of our leisure centres as a result of further decline in memberships, an increase in planning fee income due to us receiving 11% more income than we had anticipated and an underspend in rent allowances and rent rebates as a result of less benefits paid than budgeted for.

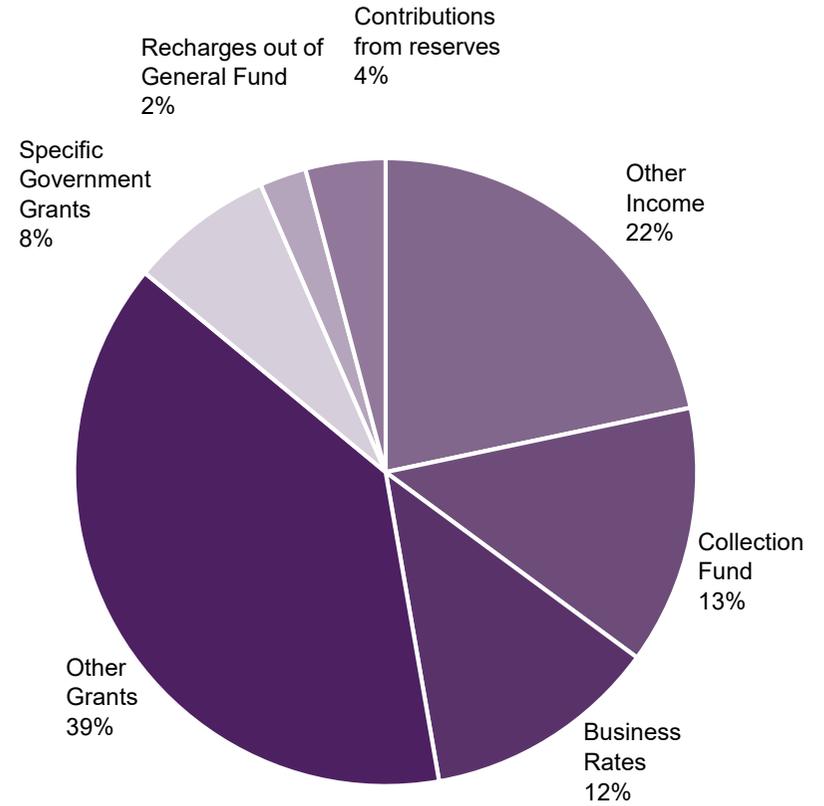
A summary of the major variances on the 2018/19 year are detailed in the table opposite.

Table 2 - Major Variances		£'000	£'000
Adverse Variances			
Non-Distributed Retirement Benefits		-98	
Leisure Centres		-246	
Revenue Contribution to Capital		-78	
			-422
Favourable			
Business Rates		480	
Salary Savings		430	
Recycling Income		56	
Investment Income		124	
Planning Income		130	
Licensing Income		39	
Rent Allowances and Rebates		240	
Phase 1 Restructure Savings		115	
Phase 2 Restructure Savings		33	
Net Financing Costs		56	
Planning Appeals and Associated Costs under Budget		60	
			1,763
Deminimus Variances			
Deminimus Non-Salary Variances		-115	
			-115
Total			1,226

Where the money is spent General Fund 2018/19



Where the money comes from 2018/19



Special Expenses

When the district council provides services on behalf of a parish, or because there is no parish council in that area, these become special expenses of the district council and are only charged to the council tax payers in that area. Special expenses are paid to the district council for maintaining parks, play areas, allotments, burial grounds, grass verges and any other open spaces owned by the council.

The budgeted contribution to Special Expenses reserves was £14,000 and the actual outturn was a transfer from reserves of £5,000. This movement was a result of reduced burial fee income and additional event expenditure in relation to Christmas decorations.



Housing Revenue Account (HRA)

The Housing Revenue Account summarises income and expenditure relating to the rented housing accommodation of over 4,200 homes provided by the Council.

The HRA is a ring-fenced account, meaning that HRA funds are maintained separately from other council finances and must only be spent on the council's housing stock and tenants' services.

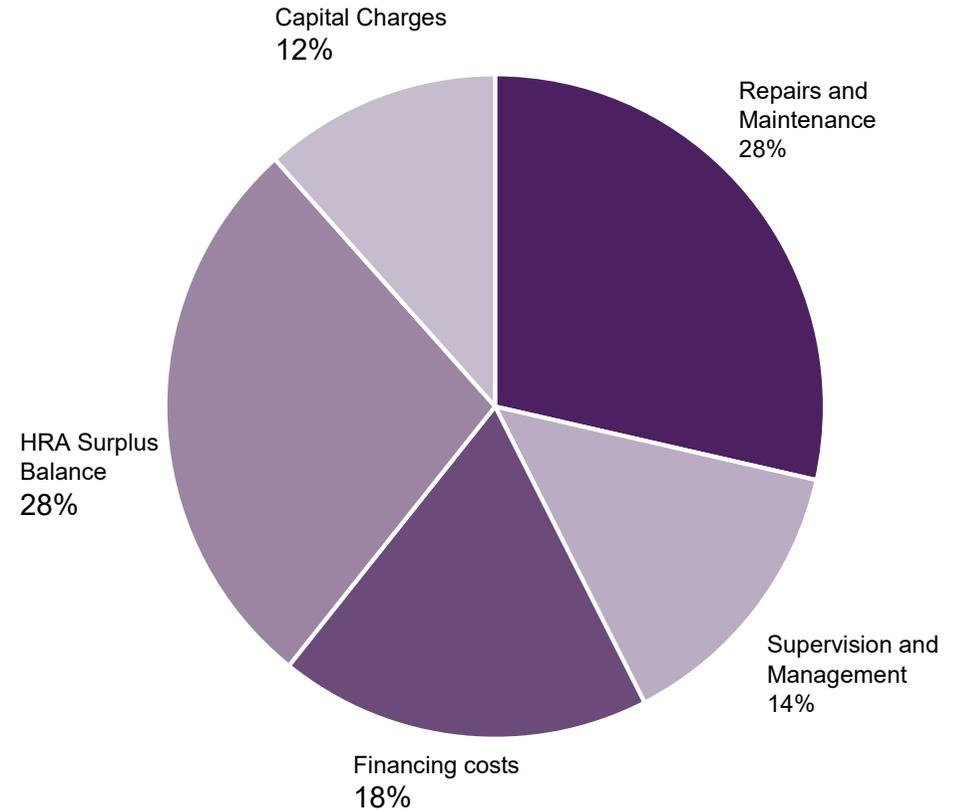
The HRA budgeted a surplus of £2.9 million but achieved a surplus of £4.9 million due to a number of variances. The most significant of these variances included savings from a lower depreciation charge of £535,000, savings of £276,000 on our external painting programme, net savings on employee costs of £223,000. We also benefited from £385,000 from completing more of our repairs and improvements work in-house, increasing our rental income by £113,000 by reducing the length of time our properties are empty between tenants and releasing £231,000 of past earmarked reserves.

In 2012 the HRA took on £76.8 million of debt to purchase its housing stock from the former Housing Revenue Account Subsidy system. We have been automatically transferring surpluses since then to build up a reserve to repay these loans and the first two loans totalling £13 million fall due in March 2022. We will use £4.6m of this year's surplus to bring our HRA loan redemption reserve up to £13 million – which means we have the funds in place to repay the first two loans three years before they fall due.

In February 2019, Council agreed not continue to automatically set aside its budgeted HRA surpluses for the repayment of maturity loans that fall due from 2037, allowing for a more flexible approach to refinancing and reinvesting surpluses back in to the Housing service. The remaining surplus of £281,000 will be retained within working balances so we can use it flexibly in the future.

Where the money is spent HRA 2018/19

	Original Budget £000's	Actual £000's	Variance £000's
Net Expenditure on Services	11,431	9,555	(1,876)
Capital Financing - Self Financing Loans	3,257	3,257	(0)
Total Expenditure	14,688	12,812	(1,876)
Funded by:-			
Rent Income	17,110	17,216	(107)
Other	525	483	42
	17,634	17,699	(65)
Net Operating Expenditure	(2,946)	(4,888)	(1,941)
Balance b/f	9,384	9,384	0
Funding of net operating expenditure	2,946	4,888	1,941
Balance carried forward	12,331	14,272	1,941



Our Assets and Liabilities

Pension Liabilities

£56.3 million

This is the value of what the council owes across future years offset by the value of assets invested in the pension fund. The council made a contribution of £3 million to the scheme in 2018/19 and there was an actuarial loss on the scheme in 2018/19 of £7.2 million, which increased the total liability compared to 2017/18.

The pension fund, which is a Local Government Pension Scheme, is revalued every three years to set the future contribution rates. The last valuation took place in March 2016 which set our additional contribution rate at 22.2% plus £240,000 for the 2018/19 financial year. This rate means we pay additional amounts into the pension fund to offset the predicted liability on the scheme.

On 1 May 2019, 210 individual members of council staff transferred to Everyone Active after the Council has awarded a contract to them to run its leisure centres and associated

services. The pension arrangements we have agreed mean that those staff who are members of the pension scheme remain pooled with the Council's pension scheme. As a result, our pension liability will continue to reflect staff members who have transferred to Everyone Active.

Provisions

The provision for Business Rates appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme which means that the Council now bears part of the risk for future appeals. Under the former business rates scheme, appeals were borne by the Government. The Council's estimate of the value of outstanding appeals up to 31 March 2019 is £5.7 million (£4.9 million as at 31 March 2018), the value of appeals used in completing the Collection Fund position as at 31 March 2019.

	2017/18	2018/19
Business Rates Appeals Provision	£4.9 million	£5.7 million

Borrowing

As at 31 March 2019 the council has total external borrowing of £81.3 million of long-term borrowing. Of this, £73 million relates to loans from the Public Loans and Works Board (PWLB), most of which were taken out in 2012 in order to fund Housing Revenue Account self-financing. All of our borrowing was within our Prudential Code limit for 2018/19 of £114 million and is forecast to remain within our limits for future years.

Cash flow

The Council's cash flow shows an increase of £2.86 million in its cash and cash equivalents from the previous year. This was largely due to the cash collected in our collection fund increased by £2.76 million. The amount of S106 monies held by us were also up by £2 million and we increased the amount of short term investments we made by £2 million.

Interest payable and receivable were generally similar compared to 2017/18.

Financial Position

We have maintained a strong financial position despite the financial challenges we face, with net assets increasing by £3.3 million between 2017/18 and 2018/19.

Non-Current Assets
(property and long-term
investments)
£270,531 million

Net Current Assets
(debtors, stock and
cash less creditors
and liabilities)
£28,683 million

Long-term
Liabilities and
Provisions
£132,853 million

Net Assets
Funded by:
£166,361 million
31 March 2018

Funded by

Usable Reserves
£34,546 million

Unusable
Reserves
£131,815 million

Non-Current Assets
(property and long-term
investments)
£280,734 million

Net Current Assets
(debtors, stock and
cash less creditors
and liabilities)
**£32,630
million**

Long-term
Liabilities and
Provisions
£143,667 million

Net Assets
Funded by:
£169,697
million 31 March
2019

Funded by

Usable Reserves
£38,444 million

Unusable
Reserves
£131,253 million

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Note: 31 March 2018 figures have been restated from the previous year's accounts.

Capital

We spent £11.7 million on capital schemes in 2018/19, with the main area of spending relating to improvements to and building new council homes. We also have plans to invest over £68 million in our district over next five years as part of our ambitious capital programme. During 2019/20 we are also set to revise our 2019/20 plans to absorb £2.6 million of programme slippage from 2018/19.

This investment over the next five years will support our priorities and includes:

- £24.4 million in a new leisure facilities. This includes a brand new leisure centre in Coalville and upgrades to Ashby's facility.
- £13.9 million in maintaining the Decent homes standard for our 4,262 council homes
- £6.6 million in developing new council homes
- £3.3 million on adapting residents homes through Disabled Facilities Grants

Expenditure	Outturn			Planned		
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Housing Improvements and Modernisations	4,890	8,125	4,907	4,988	5,336	4,578
New Build Schemes	2,731	4,984	1,573	46	-	-
Better Care Fund	693	650	649	648	647	647
Parks and Recreation Grounds	106	40	-	-	-	-
IT and Software	68	216	568	120	25	213
Transport Account Vehicles	1,992	701	1,150	699	467	296
Leisure Services	-	10,195	9,278	4,898	-	-
Car parks	526	-	-	-	-	-
Coalville Market Provision	320	-	-	-	-	-
Various Property Works	196	712	330	-	-	-
Memorial Clock Tower	147	-	-	-	-	-
Other Capital Expenditure	-	195	175	-	-	-
Total Expenditure	11,669	25,818	18,630	11,399	6,475	5,734
Funding	£'000	£'000	£'000	£'000	£'000	£'000
Grants	1,991	1,436	493	453	453	453
Disabled Facility Grants	693	621	621	621	621	621
Capital Receipts	1,409	1,410	1,272	4,208	1,081	1,079
Reserves	1061	7,435	1,678	95	1	1
Revenue	4,333	4,868	3,200	3,306	3,828	3,220
Borrowing	2,182	11,223	11,445	2,717	492	509
Total Funding	11,669	26,993	18,709	11,400	6,476	5,883

5. Risk Management

We have a Risk Management Policy in place which was approved on 1 May 2018. This policy superseded our former Risk Management Strategy which Cabinet previously approved on 29 July 2014.

The overall objective of the Council's risk management approach is 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.

A Corporate Risk Register, approved by the Corporate Leadership Team and Elected Members is in place. The Corporate Risk Register is a live document constantly under review to ascertain progress on managed risks and new risks that could impact on the Council. Our risk review cycle aligns with the service planning process and service risks monitored by service areas.

The Corporate Risk Group is represented by each of the Council's services. The CRG identify new risks and review the corporate risk register, whilst the review of all risk management

activity is part of the terms of reference of the Audit and Governance Committee. Risks are reported to Cabinet as part of the Quarterly Performance Management Report. In addition, all reports to Council, Cabinet and Committees have a risk management section for consideration of risks associated with specific decisions. All service areas and corporate projects maintain service and project based risk registers.

Set out below are the key risks from the council's corporate risk register.

Risk	Impact	Mitigation
Death / serious harm to a vulnerable person receiving a council service	<ul style="list-style-type: none"> • A serious case review arising from death/serious harm to a vulnerable person. • Reputational damage to council. • Loss of confidence in ability of council to deliver services. 	<p>The organisation has the following structures in place:</p> <ul style="list-style-type: none"> • An identified Corporate Lead (Head of Service) with a Portfolio Holder lead; • An identified Team responsible for Safeguarding (Safer & Stronger) with responsibility embedded into Team Leader role and an officer (Child & Adults at risk Officer); • An agreed Safeguarding Policy refreshed as required with delegation to Director of Housing and Customer Services for updates; • An identified group of Designated Support Officers (DSO's) in most service areas; • A programme of regular DSO meetings which consider training, best practice and case issues; • An annual training programme to ensure new DSO's are well informed and trained; • A quarterly senior management review of all cases to check progress/close cases; • A quarterly briefing with the Chief Executive, a 6 monthly report to CLT and an annual report to Cabinet; • Annual report reviews previous year and endorses an action plan for the year ahead.
Mismanagement of council finances	<ul style="list-style-type: none"> • Central Government intervention/special measures. • Adverse publicity. • Possible litigation. • Withdrawal of services. 	<ul style="list-style-type: none"> • Monthly management reviews monitor actual spend against budgets and forecast to the end of the year. • Monthly reporting and challenging at CLT, and reported to Cabinet quarterly • Sound policies and procedures are in place. • Financial planning processes have been documented and are reviewed regularly. • Internal and External audit of systems and accounts. • Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise.

Insufficient resources due to unplanned / unforeseen absences / vacancies	<ul style="list-style-type: none"> • Council unable to perform its statutory duties. • Use of external resources at significantly higher cost. 	<ul style="list-style-type: none"> • Advance planning will mitigate this risk. • Ability to divert resources from other services, bringing in additional resources from other sources (e.g. Agencies, Consultants, Voluntary/ Community sector etc.) would be activated. • Market conditions are tested through recruitment processes. • The Council can offer a package of additional benefits to enhance the recruitment offer. • The Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive. • Best Employee Experience is a programme to attract and develop the right skills, and promoting existing staff talent through secondments and tailored development programmes. • Apprenticeships allow the Council to 'grow our own'.
Contracts are not properly procured and managed	<ul style="list-style-type: none"> • Council liable to incur additional costs. • Contract overrun • Litigation • Potential health & safety issues. 	<ul style="list-style-type: none"> • Corporate procurement officer and legal team to support where necessary on contract management. • Policies and procedures are in place. • Reserve contractor in place where appropriate. • A Senior Procurement Officer oversees a procurement planning process. • Training programme in place for staff.
Loss or unlawful use of personal data constituting breach of data protection legislation	<ul style="list-style-type: none"> • Monetary penalties from ICO • Adverse publicity • Private litigation • Personal criminal liability of officers. 	<ul style="list-style-type: none"> • Policies and procedures are in place although not yet rolled out and fully embedded. • Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. • The Council has a dedicated SIRO. • Corporate Governance Groups are in place to scrutinise impacts/issues arising.

Failure to respond to an emergency in an appropriate manner	<ul style="list-style-type: none"> • General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre). • Adverse publicity. • “Business as usual” not possible without appropriate business continuity plan in place. • Breakdown in relationship with other responders. 	<ul style="list-style-type: none"> • Business continuity plans have been documented, policies and procedures are in place. • The Leicestershire Resilience Forum partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations. • Business Continuity exercises show the readiness of the Council to deal with emergencies. • System of ICO / FLM duty rotas is in place.
Infiltration of ICT systems	<ul style="list-style-type: none"> • “Business as usual” would not be possible. • Cost of repelling cyber threat and enhancing security features. 	<ul style="list-style-type: none"> • Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. • New business services are run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres. • Improved business recovery arrangements have been implemented to minimise recovery time. • Accreditation to Cyber Essentials Plus and the Public Services Network.
Projects are poorly managed	<ul style="list-style-type: none"> • Failure of proposed projects could result in failure to achieve overall objectives. • Inefficient use / waste of resources. 	<ul style="list-style-type: none"> • Properly convened project teams with PID and project plan in place, including project risk registers. Progress on corporate projects scrutinised by CLT. • Use of external resources is also being used to support the Coalville and Leisure projects.
Council makes ultra vires (beyond the council’s powers and functions) decisions	<ul style="list-style-type: none"> • Potential litigation against the Council, resulting in increased costs / compensation. • Reputational damage. 	<ul style="list-style-type: none"> • Policies and procedures in place. • Governance processes are documented and in operation. • Ongoing assessments and reviewed are performed. • Completion of the Annual Governance Statement.

<p>Council is subject to fraud, corruption or theft</p>	<ul style="list-style-type: none"> • Financial, reputational and political damage to Council. 	<ul style="list-style-type: none"> • A policy framework that includes Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy. • The Internal Audit annual planning process takes into account high risk areas, which considers fraud risks. Fraud risks are considered as part of specific audits with testing designed to detect fraud where possible. • The Council is also subject to External Audit. • Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes. • Information on how to report fraud is on the website including relevant links. • Participation in National Fraud Initiative (mandatory) and Leicestershire Fraud Intelligence Hub (voluntary). • Leicestershire Revenues and Benefits Partnership have two trained officers working solely on Council Tax Reduction Scheme Fraud and act as Single Point of Contact for DWP referrals.
<p>The Council is subject to a reduction in income</p>	<ul style="list-style-type: none"> • Services are unable to be delivered. • Potential staff redundancies. • Funding of external groups is withdrawn. • Potential breach of statutory duties. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy in place, including Self Sufficiency initiative. • Economic Development Team promotes business offer. • Participation in Business Rates Pilots. • Accessing external funding where appropriate. • Income collection procedures in Revs & Bens Service and Housing.

6. Basis of preparation

When assessing what to include in these financial statements, the principle of materiality has been applied. This ensures that the core issues considered to have an impact on the council's strategies, governance, performance and aspirations in respect of matters such as the services it provides and the wellbeing of its local community, are presented. This includes matters that are ordinarily outside of the scope of financial reporting but which are deemed to have a significant effect on the authority's ability to meet its objectives. Where information in this report is based on other information published by the council, it is prepared on that same basis, and is reconcilable and referenced to that published information.

The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required: -

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of 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 S151 Officer

The Section 151 Officer is responsible for the preparation of the council'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 S151 Officer 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 S151 Officer has also: -

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2019.



16/7/2019

Tracy Bingham
Head of Finance and S151 Officer

Date

Councillor Virge Richichi
Chair of the Audit and Governance Committee

Date

Section 2 Core Statements

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Core Statements

1. Introduction

The following pages summarise the financial activities of North West Leicestershire District Council for 2018/19. The council's Accounts have been produced in accordance with the *Code of Practice on Local Authority Accounting 2018/19* and the service reporting code of Practice 2018/19, supported by the International Financial Reporting Standards (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 2018/19 the accounts consist of these 'core' Financial Statements:

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

on the different reserves held by the council analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (i.e. those that cannot be used to fund expenditure)

- **Balance Sheet** which sets out the overall financial position of the council at 31 March 2019 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

Other financial statements:

- **The Expenditure and Funding Analysis (EFA)** – This shows how annual expenditure is used and funded from resources by the Council in comparison with how those resources by the Council are consumed or earned by the Council. It also shows how this expenditure is allocated for the decision making purposes between the council's portfolio holders

- **Notes to the Core Financial Statements** which provide explanations of key figures within the statement.
- **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 the Council Tax 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 2018 Code

The 2018/19 edition of the *Code of Practice on Local Authority Accounting 2018/19* introduces new, or amended, accounting standards or reporting requirements in a number of areas, in particular:

- The adoption of IFRS 15 *Revenue from Contracts with Customers* has changed how income is recognised.
- The adoption of IFRS 9 *Financial Instruments* has resulted in amendments to our financial instruments note on page 67.
- Changes in the disclosure of debtors and creditors in notes 15 and 17.

These changes have not had a material impact on our accounts.



Moira Furnace

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.

2017/18 (Restated)				2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
13	0	13	Chief Executive and Other Services	5	0	5
47	0	47	Human Resources & Organisational Development	41	0	41
998	(448)	550	Legal and Commercial Services	804	(222)	582
15,695	(6,280)	9,415	Community Services (Including Strategic Director of Place)	16,943	(6,167)	10,776
2,997	(1,557)	1,440	Planning & Infrastructure	2,238	(1,784)	454
1,381	(44)	1,337	Economic Development	1,749	(63)	1,686
312	(273)	39	Joint Strategic Planning	110	(98)	12
808	(215)	593	Housing & Asset Management - General Fund	845	(233)	612
19,618	(18,716)	902	Customer Services	17,605	(16,585)	1,020
202	(8)	194	Finance	184	(30)	154
867	(10)	857	Corporate and Democratic Core	884	(1)	883
99	0	99	Non Distributed Costs	1,541	0	1,541
4,427	(17,924)	(13,497)	Housing Services - HRA	8,527	(17,813)	(9,286)
47,464	(45,475)	1,989	Cost of Services	51,476	(42,996)	8,480
		5,835	Other Operating Expenditure	6		7,041
		4,387	Financing and Investment Income and Expenditure	7		2,979
		(17,844)	Taxation and Non-Specific Grant Income	8		(18,694)
		(5,633)	(Surplus)/Deficit on Provision of Services			(194)
		(16,746)	(Surplus)/Deficit on revaluation of non current assets			(8,927)
		0	(Surplus)/Deficit on revaluation of available for sale financial assets			0
		(3,963)	Actuarial (gains)/losses on pension assets/liabilities			9,114
		(20,709)	Other Comprehensive Income and Expenditure			187
		(26,342)	Total Comprehensive Income and Expenditure			(7)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and unusable reserves. The statement shows how the movement in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

(Restated)	General fund Balance	Housing Revenue Account	Capital Receipts reserve	Major repairs reserve	Capital Grants unapplied	Total Usable reserves	Unusable reserves	Total Authority reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017 (Restated)	12,507	9,553	5,205	592	1,049	28,906	111,113	140,019
Total Comprehensive Income and Expenditure	(3,119)	8,752	0	0	0	5,633	20,709	26,342
Adjustments between accounting basis and funding basis under regulations	5,101	(8,297)	993	2,439	(229)	7	(7)	0
Increase/(Decrease) in Year	1,982	455	993	2,439	(229)	5,640	20,702	26,342
Balance as at 31 March 2018	14,489	10,008	6,198	3,031	820	34,546	131,815	166,361
Total Comprehensive Income and Expenditure	(4,089)	4,283	0	0	0	194	(187)	7
Adjustments between accounting basis and funding basis under regulations	3,833	132	1,254	(1,692)	177	3,704	(3,704)	0
Increase/(Decrease) in Year	(256)	4,415	1,254	(1,692)	177	3,898	(3,891)	7
Balance at 31 March 2019 carried forward	14,233	14,423	7,452	1,339	997	38,444	127,924	166,368

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the Council 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'.

	(Restated) 31 March 2017	(Restated) 31 March 2018		31 March 2019
	£'000	£'000	NOTES	£'000
	232,761	252,866	Property Plant and Equipment	262,348
	13,554	12,614	Investment Property	13,484
	454	383	Intangible Assets	244
	0	1,020	Heritage Assets	1,336
	0	0	Assets Held For Sale	0
	1,475	639	Surplus Assets	316
	9,000	3,000	Long Term Investments	3,000
	5	9	Long Term Debtors	6
	257,249	270,531	Long Term Assets	280,734
	24,495	35,995	Short Term Investments	37,995
	142	133	Inventories	137
	2,125	2,606	Short Term Debtors	2,241
	6,040	4,889	Cash and Cash Equivalents	7,744
	32,802	43,623	Current Assets	48,117
	(1,079)	(1,103)	Short Term Borrowing	(1,128)
	(12,613)	(11,871)	Short Term Creditors	(12,062)
	(3,532)	(1,966)	Provisions	(2,297)
	(17,224)	(14,940)	Current Liabilities	(15,487)
	(82,942)	(81,822)	Long Term Borrowing	(80,680)
	(47,228)	(46,298)	Other Long Term Liabilities	(59,661)
	(179)	(482)	Revenue Grants Receipt In Advance	(809)
	(2,459)	(4,251)	Capital Grants Receipt In Advance	(5,846)
	(132,808)	(132,853)	Long Term Liabilities	(146,996)
	140,019	166,361	Net Assets	166,368
	12,507	14,489	General Fund Balance	14,233
	9,553	10,008	Housing Revenue Account	14,423
	5,205	6,198	Capital Receipts Reserve	7,452
	592	3,031	Major Repairs Reserve	1,339
	1,049	820	Capital Grants Unapplied	997
	28,906	34,546	Usable Reserves	38,444

Balance Sheet

31 March 2017		31 March 2018			31 March 2019	
(Restated)	(Restated)				£'000	£'000
£'000	£'000			NOTES		
38,553	54,155	Revaluation Reserve		19	61,379	
120,862	125,574	Capital Adjustment Account		19	128,033	
(1,332)	(1,296)	Financial Instruments Adjustment Account		19	(1,281)	
(47,228)	(46,298)	Pension Reserve		19	(59,661)	
526	(52)	Collection Fund Adjustment Account		19	(276)	
(268)	(268)	Accumulated Absences Account		19	(270)	
111,113	131,815	Unusable Reserves				127,924
140,019	166,361					166,368

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Indirect Method			
2017/18		NOTES	2018/19
(Restated)			£'000
£'000			£'000
(5,633)	Net (surplus) or deficit on the provision of services		(194)
Noncash Movements			
(3,578)	Depreciation		(3,923)
3,453	Impairment and downward valuations		577
(141)	Amortisations		(139)
(74)	Increase in impairment for provision for bad debts		(81)
(580)	(Increase)/decrease in creditors		(289)
314	Increase/(decrease) in debtors		(66)
9	(Increase)/decrease in stock		(4)
(3,033)	Pension liability		(4,249)
(6,157)	Carrying amount of non-current assets sold		(7,634)
3,329	Other non cash items charged to the net Surplus or Deficit on the Provision of Services		3,644
(6,458)	Adjust net surplus or deficit on the provision of services for noncash movements		(12,164)
2,955	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		3,317
(9,136)	Net Cash Flows from Operating Activities		(9,041)
9,552	Investing Activities	21	9,210
735	Financing Activities	22	(3,024)
1,151	Net increase or (decrease) in cash and cash equivalents		(2,855)
6,040	Cash and cash equivalents at the beginning of the reporting period		4,889
4,889	Cash and cash equivalents at the end of the reporting period	16	7,744

Section 3 Notes to the Core Financial Statements

Notes to the accounts

Accounting policies

1. General Principles

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

The Statement of Accounts summarises the council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019.

The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which requires the statement to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

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

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

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

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 highly liquid investments that mature in 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 council'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 council'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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

6. Charges to revenue for non-current assets

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance (Minimum Revenue Provision) by way of an adjusting transaction

with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

MRP is determined as 4% of the opening balance for the financial period (the Regulatory Method)

7. Council tax and non-domestic rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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



BEE a star staff awards

8. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end.

They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the 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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

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

Post-employment Benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of Leicestershire County Council pension fund attributable to the council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate

- Unitised securities – current bid price
- Property – market value.

The change in the net pension's liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure

line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Contributions paid to the Leicestershire 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 council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

9. Events after the reporting period

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

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

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

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial Assets

Financial assets are classified using an approach that is based on the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The council's business model for most of its investments is to hold them to collect contractual cash flows. Financial assets are therefore classified as amortised cost. There are some exceptions, where the council holds strategic investments to help it meet other policy objectives, such as the support of economic development in the district. This means that some investments are ones where contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, 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.

The council has not given any loans to external or voluntary organisations, nor provided guarantees against loans they have received from financial institutions.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain 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. 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 CIES.

Expected credit loss model

The council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial assets measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

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.

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument-by-instrument basis based on the assessed benefit to the council from the chosen classification.

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

11. Government Grants and Contributions

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

- The council will comply with the conditions attached to the payments

and

- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable

revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Heritage Assets

The council has two heritage assets which are held in support of increasing the knowledge, understanding and appreciation of the council's history and local area. These are Moira Furnace, a listed monument of historical interest located in Moira and the Memorial Clock Tower, a Grade II listed building that services as a historic war memorial located in the centre of Coalville.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see note 18. The council will occasionally dispose of heritage assets. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial

statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 18 below).



Memorial Clock tower is a Grade II listed building located in Coalville

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

14. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula. 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.

15. Investment Property

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

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

16. Leases

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

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's

inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied 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 council at the end of the lease period). The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets.

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

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

17. Overheads and Support Services

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

18. Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The council does not capitalise borrowing costs incurred while assets are under construction.

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

Donated assets 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 and Expenditure 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 – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council’s housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- All other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

The Revaluation Reserve contains revaluation gains recognised since 1 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 (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases – straight-line allocation over the useful life of the property as estimated by the valuer.

Where an item of property, plant and equipment asset has major components

whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government (50% for land and other assets, net of statutory deductions and allowances and for dwellings, amounts determinable under the Right to Buy and One for One Agreement that the council signed in 2012). The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

19. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or

constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the council has an 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Contingent liabilities

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

Contingent assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the

accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve 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 transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

21. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been

charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22. 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.

23. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code.

This applies to the adoption of the following new or amended standards within the 2019/20 code:

- IFRS 16 Leases – this standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- IAS 40 Investment Property: Transfers of Investment Property - provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any foreign currency transactions and therefore this standard will have no impact.

- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the Council.

- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

Notes to core financial statement

1 Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out in Section 3, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. No such critical judgements have been deemed to be necessary for 2018/19.

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions are included in Note 34. The Council's actuaries provide an annual statement of the pension liabilities and assets. During 2018/19, the Council's actuaries advised that the net pensions liability had increased by £10m as a result of revisions to estimates and judgements.
Asset Life / Maintenance	Assets are depreciated over their useful lives as determined by the Council'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 will have an impact on the Council's Valuation.	If the useful life of assets is reduced, the depreciation increases and the carrying amount of assets falls. The depreciation charge for buildings would increase by an estimated £13k (General Fund) and £46k (HRA) for every year useful life is reduced. If an asset is impaired the carrying amount of asset is reduced.
Business Rates Appeals Provision	The introduction of the Business Rates Retention scheme in 2013/14 means that the Council now bears 40% of the risk for business rates appeals. As at the end of March 2019, 95 appeals remain outstanding with the Valuation Office Agency against the 2010 rating list. A further 12 appeals have been lodged against the 2017 rating list through the new Check Challenge and Appeal process. As stated in Section 1 we have added additional appeals provision sums based on the estimated additional successful future appeals and the associated losses in income for the period to the end of March 2020.	If the estimated success rate of existing appeals increased in monetary value by 10%, then this would require the Council to increase its share of the provision for appeals by an approximate £200k.
Arrears	Each year the Council reviews the significant balances for Council Tax, Business Rates and sundry debtor arrears. Officers make a judgement on the likelihood of these debts being repaid in the future based on a number of factors, including the age of debts, past experience and the economic climate. We cannot be certain that the current allowance will be sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £402k for Council Tax debts, and £127k for business rates to be set aside as an allowance.

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

Notes to core financial statement - continued

3 Events after the Balance Sheet Date

The reporting date for the 2018/19 Statement of Accounts (subject to External Audit) is the 31 May 2019 on which the Council's Section 151 Officer certifies the accounts. Any events occurring after this date which have had a material impact on the figure contained within the Statement of Accounts will be added and issued with the audited accounts as appropriate.

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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2018/19					
	General fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Usable Reserves Major Repairs reserves £'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	1,208	75		2,613		(3,896)
Revaluation (gains) and losses on Property Plant and Equipment	161	(263)				102
Movements in the market value of Investment Properties	(475)					475
Amortisation of intangible assets	139					(139)
Depreciation of Heritage Assets	26					(26)
Capital grants and contributions applied	(97)	(1,910)				2,007
Movement in the Donated Assets		(1,393)				1,393
Revenue expenditure funded from capital under statute						0
Principal Repaid on Self Financing Loans		(1,103)				1,103
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	42	7,615				(7,657)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(553)					553
Capital expenditure charged against the General Fund and HRA balances	(1,100)	(28)				1,128
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(233)	56			177	
	(882)	3,049	0	2,613	177	(4,957)

Notes to core financial statement - continued

2018/19 - continued	Usable Reserves					Movement in Unusable reserves £'000
	General fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs reserves £'000	Capital Grants Unapplied £'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	(25)	(3,292)	3,317			0
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,408)			1,408
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	61	(61)			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	594		(594)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		0				0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0
Adjustment involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure				(4,305)		4,305
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	(29)	14				15
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	6,380	842				(7,222)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,437)	(536)				2,973
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	224					(224)
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	8	(6)				(2)
Total Adjustments	3,833	132	1,254	(1,692)	177	(3,704)

Notes to core financial statement - continued

	Usable Reserves					Movement in Unusable reserves £'000
	General fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs reserves £'000	Capital Grants Unapplied £'000	
Restated 2017/18 comparative figures						
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	1,037	523		2,439		(3,999)
Revaluation losses/(gains) on Property Plant and Equipment	82	(4,919)				4,837
Movements in the market value of Investment Properties	940					(940)
Amortisation of intangible assets	141					(141)
Depreciation of Heritage Assets	23					(23)
Movements in donated assets		(1,806)				1,806
Revenue expenditure funded from capital under statute		(22)				22
Principal Repaid on Self Financing Loans		(1,079)				1,079
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	0	6,157				(6,157)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(551)					551
Capital expenditure charged against the General Fund and HRA balances	(377)	(4,891)				5,268
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(28)	257			(229)	
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	(24)	(2,888)	2,912			
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,265)			1,265
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	103	(103)			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	594		(594)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(43)	43			0
	1,837	(8,608)	993	2,439	(229)	3,568

Notes to core financial statement - continued

Restated 2017/18 comparative figures continued	General fund Balance £'000	Housing Revenue Account £'000	Usable Reserves		Capital Grants Unapplied £'000	Movement in Unusable reserves £'000
			Capital Receipts reserve £'000	Major Repairs reserves £'000		
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	(29)	(7)				36
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,005	774				(5,779)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,290)	(456)				2,746
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	578					(578)
Total Adjustments	5,101	(8,297)	993	2,439	(229)	(7)

Notes to core financial statement - continued

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 2018/19.

	Balance at 31/3/2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31/3/2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31/3/2019 £'000
General Fund:							
General reserves	8,521	(1,835)	3,001	9,687	(2,806)	1,193	8,074
Self Sufficiency reserve	0	0	2,769	2,769	0	1,425	4,194
Value for Money reserve	859	(859)	0	0	0	0	0
Housing and Planning Delivery Grant	11	(11)	0	0	0	0	0
Leisure Strategy/Project Grants	89	(89)	0	0	0	0	0
Ivanhoe Sink Fund	138	0	11	149	0	22	171
Hermitage Rec Grd Mtce Fund	21	0	0	21	0	0	21
Asset Protection Fund	165	(68)	68	165	(25)	8	148
Industrial Units Maint Fund	20	(25)	25	20	(56)	36	0
Whitwick Business Centre	40	(20)	30	50	(50)	0	0
Transport Appropriation	129	(152)	23	0	0	0	0
Other	5	(5)	0	0	0	0	0
Total	9,998	(3,064)	5,927	12,861	(2,937)	2,684	12,608
HRA:							
HRA Shops Sinking Fund	6	0	0	6	(2)	0	5
General Earmarked reserves	635	(383)	365	617	(483)	12	146
Total	641	(383)	365	623	(485)	12	151

Notes to core financial statement - continued

6 Other Operating Expenditure

2017/18 £'000		2018/19 £'000
1,944	Parish Council Precepts	2,104
594	Payments to the Government Housing Capital Receipts Pool	594
3,298	Gains/losses on the disposal of non current assets	4,343
5,835	Total	7,041

7 Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
2,761	Interest payable and similar charges	2,736
1,250	Pensions interest cost and expected return on pensions assets	1,289
(251)	Interest receivable and similar income	(400)
627	Income and expenditure in relation to investment properties	(646)
4,387	Total	2,979

8 Taxation and Non Specific Grant Income

2017/18 £'000		2018/19 £'000
(7,492)	Council tax income	(7,785)
(5,078)	Non domestic rates	(5,325)
(3,453)	Non-ring fenced government grants	(3,302)
0	Levy account surplus	(36)
(1,821)	Capital grants and contributions	(2,246)
(17,844)	Total	(18,694)

Notes to core financial statement - continued

9 Movements on Assets

	Costs							
	Council dwelling £'000	Other Land and Buildings £'000	Vehicle, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property Plant and Equipment £'000
Cost or Valuation								
At 1 April 2018	223,269	25,871	7,282	0	76	639	1,534	258,671
Additions	4,932	649	2,156				2,699	10,436
Initial gain on donated assets	1,393							1,393
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,248	1,145						6,393
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,675)	(60)				(288)		(5,023)
Derecognition - Disposals	(2,682)	(25)	(736)			(35)		(3,478)
Derecognition - Other		(417)						(417)
Assets reclassified	2,614	(83)			238		(2,769)	0
At 31 March 2019	230,099	27,080	8,702	0	314	316	1,464	267,975

Notes to core financial statement - continued

Accumulated Depreciation and Impairment	Total Property Plant Equipment							
	Council dwelling £'000	Other Land Buildings £'000	Vehicle, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	£'000
At 1 April 2018	0	0	5,166	0	0	0	0	5,166
Depreciation charge	2,605	424	859			9		3,897
Depreciation written out to the Revaluation Reserve	(2,390)	(234)						(2,624)
Depreciation written out to the Surplus/ Deficit on the Provision of Services	(184)					(9)		(193)
Impairment losses/(reversals) recognised in the Revaluation Reserve								0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		(190)						(190)
Derecognition - Disposals	(31)		(714)					(745)
Derecognition - Other								0
At 31 March 2019	0	0	5,311	0	0	0	0	5,311
Net Book Value								
At 31 March 2019	230,099	27,080	3,391	0	314	316	1,464	262,664
At 31 March 2018	223,269	25,871	2,116	0	76	639	1,534	253,505

Notes to core financial statement - continued

Comparative Movements

	Restated costs	Council dwelling £'000	Other Land and Buildings £'000	Vehicle, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property Plant and Equipment £'000
Cost or Valuation									
At 1 April 2017		207,145	23,361	6,808	0	76	1,475	0	238,865
Additions		3,913	997	650	0	0	0	1,534	7,094
Initial gain on donated assets		1,806	0	0	0	0	0	0	1,806
Revaluation increases/(decreases) recognised in the Revaluation Reserve		12,378	1,878	0	0	0	4	0	14,260
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		3,827	(365)	0	0	0	(441)	0	3,021
Derecognition - Disposals		(2,113)	0	(176)	0	0	(399)	0	(2,688)
Derecognition - Other		(3,687)	0	0	0	0	0	0	(3,687)
Assets reclassified (to)/from Held for Sale		0	0	0	0	0	0	0	0
At 31 March 2018		223,269	25,871	7,282	0	76	639	1,534	258,671

Notes to core financial statement - continued

Comparative Movements

Restated Accumulated Depreciation and Impairment	Council dwelling £'000	Other Land and Buildings £'000	Vehicle, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property Plant and Equipment £'000
At 1 April 2017	0	0	4,643	0	0	0	0	4,643
Depreciation charge	2,417	416	699	0	0	23	0	3,555
Depreciation written out to the Revaluation Reserve	(2,069)	(236)	0	0	0	0	0	(2,305)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(323)	(180)	0	0	0	(13)	0	(516)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	(25)	0	(176)	0	0	(10)	0	(211)
Derecognition - Other	0	0	0	0	0	0	0	0
At 31 March 2018	0	0	5,166	0	0	0	0	5,166

Notes to core financial statement - continued

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	31.03.19	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 G Harbord (MA,MRICS,IRRV) Wilks Head and Eve
Other Land & Building	31.03.19	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors.	Mr G Harbord (MA,MRICS,IRRV) Wilks Head and Eve

Major fixed assets held at 31 March 2019, are:-

2017/18 No		2018/19 No
Leisure Centres		
2	Leisure Centres with Pools	2
1	Markets	2
4	Cemeteries	4
Council dwellings		
2,489	Houses	2,480
967	Flats and Maisonettes	962
814	Bungalows	820
Land		
91	Parks and Open Spaces (acres)	108
Other		
1	Office Properties	1
2	Depots	2
18	Off Street Car Parks	18
5	Public Conveniences	5
12	Industrial Estates/Business Units	12

Notes to core financial statement - continued

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.

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

2017/18 £'000	2018/19 £'000
832 Rental income from investment property	806
(1,459) Direct operating expenses arising from investment property	(160)
(627) Net gain/(loss)	646

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

2017/18 £'000	2018/19 £'000
13,554 Balance at the start of the year	12,614
Additions:	
0 Purchases	367
0 Construction	28
0 Subsequent expenditure	0
Disposals:	
(940) Net gains/(losses) from fair value adjustments	475
Transfers:	
0 To/from Inventories	0
0 To/from Property, Plant and Equipment	0
0 Other changes	0
12,614 Balance at the end of the year	13,484

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11 Intangible Assets

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

Notes to core financial statement - continued

Intangible Assets - continued

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £139k 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.

	2017/18		2018/19	
	Other Assets	Total	Other Assets	Total
	£'000	£'000	£'000	£'000
Balance at start of year				
- Gross carrying amounts	1,824	1,824	1,894	1,894
- Accumulated amortisation	(1,370)	(1,370)	(1,511)	(1,511)
Net carrying amount at start of year	454	454	383	383
Additions:				
- Purchases	70	70	0	0
Amortisation for the period	(141)	(141)	(139)	(139)
Other changes		0		0
Net carrying amount at end of year	383	383	244	244
Comprising:				
- Gross carrying amounts	1,894	1,894	1,894	1,894
- Accumulated amortisation	(1,511)	(1,511)	(1,650)	(1,650)
	383	383	244	244

Notes to core financial statement - continued

12 Heritage Assets

Three heritage assets are included in the gross carrying amount - Moira Furnace, Memorial Clock Tower, Coalville and the 'Heart of the Forest' Sculpture in Ashby. The Sculpture was commissioned and installed in 2018/19.

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

	2017/18		2018/19		
	Building Assets	Total	Art Assets	Building Assets	Total
	£'000	£'000	£'000	£'000	£'000
Balance at start of year					
- Gross carrying amounts	0	0	0	1,043	1,043
Adjustment to gross Carrying amount*	0	0	0	(23)	(23)
- Accumulated amortisation	0	0	0	(23)	(23)
Adjustment to Accumulated amortisation*	0	0	0	23	23
Net carrying amount at start of year	0	0	0	1,020	1,020
Additions:	0	0	50	147	197
Revaluations increases or (decreases)	1,043	1,043		145	145
Depreciation for the period	(23)	(23)	(1)	(25)	(26)
Net carrying amount at end of year	1,020	1,020	49	1,287	1,336
Comprising:					
- Gross carrying amounts	1,043	1,043	50	1,312	1,362
- Accumulated depreciation	(23)	(23)	(1)	0	(1)
- Depreciation written out to the revaluation reserve	0	0	0	(25)	(25)
	1,020	1,020	49	1,287	1,336

* Presentation adjustment to the balance brought forward due to accumulated depreciation not being shown as written out to the Gross Carrying amount in year. The Net Carrying Amount brought forward remains the same.

Notes to core financial statement - continued

13 Assets Held for Sale

The council did not have any assets held for sale at 31 March 2019.

14 Inventories

	Consumable Stores		Maintenance Materials		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of year	46	60	96	73	142	133
Purchases	639	681	703	656	1,342	1,337
Recognised as an expense in the year	(625)	(674)	(726)	(659)	(1,351)	(1,333)
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	60	67	73	70	133	137

Notes to core financial statement - continued

15 Short-Term Debtors

31 March 2018 £'000		31 March 2019 £'000
719	Central Government bodies	401
635	Other local authorities	488
3	NHS bodies	3
20	Public Corporations and trading funds	5
1,229	Other entities and individuals	1,344
2,606	Total Short-Term Debtors	2,241

16 Cash and Cash Equivalents

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

31 March 2018 £'000		31 March 2019 £'000
4	Cash held by the Council	4
539	Bank current accounts	395
4,346	Short-term deposits with building societies	7,345
4,889	Total Cash and Cash Equivalents	7,744

17 Short-Term Creditors

31 March 2018 £'000		31 March 2019 £'000
3,230	Central Government bodies	3,637
5,563	Other local authorities	4,857
0	NHS bodies	0
422	Public Corporations and trading funds	232
2,656	Other entities and individuals	3,336
11,871	Total Short-Term Creditors	12,062

Notes to core financial statement - continued

18 Usable Reserves

The Council's usable reserves are detailed in the Movement in Reserves Statement.

19 Unusable Reserves

Restated		31 March 2019
31 March 2018		£'000
£'000		£'000
54,155	Revaluation Reserve	61,379
125,574	Capital Adjustment Account	128,033
(1,296)	Financial Instruments Adjustment Account	(1,281)
(46,298)	Pensions Reserve	(59,661)
(52)	Collection Fund Adjustment Account	(276)
(268)	Accumulated Absences Account	(270)
131,815	Total Unusable Reserves	127,924

Revaluation Reserve

Restated		2018/19
2017/18		£'000
£'000		£'000
38,553	Balance at 1 April	54,155
16,746	Upward revaluation of assets	8,927
0	Downward revaluation	0
16,746	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	8,927
(796)	Difference between fair value depreciation and historical cost depreciation	(234)
(348)	Accumulated gains on assets sold or scrapped	(1,469)
(1,144)	Amount written off to the Capital Adjustment Account	(1,703)
54,155	Balance at 31 March	61,379

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

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

The Reserve contains only revaluation gains accumulated since 1 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.

Notes to core financial statement - continued

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 Council 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 Council.

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.

	Restated 2017/18 £'000	2018/19	
		£'000	£'000
120,862	Balance at 1 April		125,574
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(4,022)	Charges for depreciation and impairment of non-current assets	(3,922)	
4,837	Revaluation (losses)/gain on Property, Plant and Equipment	102	
(141)	Amortisation of Intangible assets	(139)	
22	Revenue expenditure funded from capital under statute	0	
(6,157)	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	(7,657)	
1,806	Gain on donated assets	1,393	
(3,655)			(10,223)
1,144	Adjusting amounts written out of Revaluation Reserve	1,703	
	Capital financing applied in the year:		
1,265	Use of Capital Receipts Reserve to finance new capital expenditure	1,408	
0	Use of the Major Repairs Reserve to finance new capital expenditure	4,305	
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,007	
1,079	Repayment of Debt	1,103	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0	
551	Statutory provision for the financing of capital investment charged against the General	553	
5,268	Capital expenditure charged against the General Fund and HRA balances	1,128	
9,307			12,207
(940)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		475
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
125,574	Balance at 31 March		128,033

Notes to core financial statement - continued

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 Council 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 Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2017/18	2018/19
£'000	£'000
(1,332) Balance at 1 April	(1,296)
0 Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0 Proportion of premiums incurred in previous financial years to be charged against the General Fund	0
0 Balance in accordance with statutory requirements	0
36 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	15
(1,296) Balance at 31 March	(1,281)

Notes to core financial statement - continued

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £'000	2018/19 £'000
(47,228) Balance at 1 April	(46,298)
3,963 Actuarial gains or losses on pensions assets and liabilities	(9,114)
(5,779) 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	(7,222)
2,746 Employer's pensions contributions and direct payments to pensioners payable in the year	2,973
(46,298) Balance at 31 March	(59,661)

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Deferred Capital Receipts Reserve

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

Notes to core financial statement - continued

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

2017/18 £'000	2018/19 £'000
312 Balance at 1 April	283
(29) 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	(205)
283 Balance at 31 March	78

Non-Domestic Rates

2017/18 £'000	2018/19 £'000
214 Balance at 1 April	(335)
(549) 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	(19)
(335) Balance at 31 March	(354)

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.

2017/18 £'000	2018/19 £'000
(268) Balance at 1 April	(268)
0 Settlement or cancellation of accrual made at the end of the preceding year	0
0 Amounts accrued at the end of the current year	(2)
0 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	(2)
(268) Balance at 31 March	(270)

Notes to core financial statement - continued

20 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18 £'000	2018/19 £'000
(243) Interest received	(406)
2,767 Interest paid	2,747
0 Dividends received	0
2,524	2,341

21 Cash Flow Statement - Investing Activities

2017/18 £'000	2018/19 £'000
6,954 Purchase of property, plant and equipment, investment property and intangible assets	10,560
28,500 Purchase of short-term and long-term investments	37,995
53 Other payments for investing activities	2
(2,955) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,317)
(23,000) Proceeds from short-term and long-term investments	(35,995)
0 Other receipts from investing activities	(35)
9,552 Net cash flows from investing activities	9,210

22 Cash Flow Statement - Financing Activities

2017/18 £000	2018/19 £000
0 Cash receipts of short and long-term borrowing	0
(3,137) Other receipts from financing activities	(5,326)
0 Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0
1,090 Repayments of short and long-term borrowing	1,111
2,782 Other payments for financing activities	1,191
735 Net cash flows from financing activities	(3,024)

Notes to core financial statement - continued

23 Expenditure and Income Analysed by Nature

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

Restated 2017/18 £'000	Expenditure/Income	2018/19 £'000
Expenditure		
20,732	Employee expenses	22,452
30,422	Other services expenses	27,023
10,519	Support service recharges	10,701
266	Depreciation, amortisation, impairment	4,180
1,250	Net pension interest	1,289
2,761	Interest payments	2,736
1,944	Precepts and levies	2,104
594	Payments to Housing Capital Receipts Pool	593
0	Donated asset gain	(1,393)
3,298	(Gain) / Loss on the disposal of assets	4,343
71,786	Total Expenditure	74,028
Income		
(30,113)	Fees, charges and other service income	(29,929)
(10,545)	Income recharges	(10,747)
(253)	Interest and investment income	(401)
(12,570)	Income from Council Tax and Non-Domestic Rates	(13,146)
(22,131)	Government Grants and Contributions	(19,999)
(75,612)	Total Income	(74,222)
(3,827)	Surplus or deficit on the Provision of Services	(194)

Notes to core financial statement - continued

External income received by service

2017/18 £'000	2018/19 £'000
0 Chief Executive and Other Services	0
0 Human Resources & Organisational Development	0
(433) Legal & Commercial Services	(210)
(5,543) Community Services (Including Director of Services)	(5,331)
(1,467) Planning & Infrastructure	(1,693)
(43) Economic Development	(46)
(273) Joint Strategic Planning	(98)
(876) Housing (General Fund)	(865)
(1,060) Customer Services	(1,052)
(7) Finance	(11)
(9) Corporate & Democratic Core	0
0 Non Distributed Costs	0
(18,581) Housing Revenue Account	(18,377)
(28,292) Total external income in Cost of Services	(27,683)
(1,821) Other income and Expenditure	(2,246)
(30,113) Total external income	(29,929)

Notes to core financial statement - continued

24 Agency Services

The Council, in partnership with Leicestershire County Council carries out the Decriminalised Parking Enforcement throughout North West Leicestershire which cost £111,190 in 2018/19 (£112,747 2017/18).

25 Members' Allowances

The total value of Members Allowances paid during the year was £234,349.74 in 2018/19 (£230,385.41 2017/18).

26 Officers' Remuneration

The table below shows the number of employees whose remuneration, including redundancy payments but excluding pension contribution was £50,000 or above. These employees constitute the Council's Corporate Management Team.

2017/18 No of employees	Remuneration Band	2018/19 No of employees
2	£50,000 - £54,999	3
0	£55,000 - £59,999	1
2	£60,000 - £64,999	1
2	£65,000 - £69,999	2
0	£70,000 - £74,999	1
0	£75,000 - £79,999	0
1	£80,000 - £84,999	1
0	£85,000 - £89,999	1
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
1	£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
0	£125,000 - £129,999	1

Notes to core financial statement - continued

2018/19 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

Post information (Post title)	Note	Salary £	Bonus £	Compensation (loss of emp) £	Other £	Total ex pension £	Employers Pension £	Total inc pension £
Chief Executive		119,956			8,891	128,847	29,028	157,875
Director of Place		77,073			3,122	80,195	18,652	98,847
Director of Housing		82,981			3,220	86,201	2,081	88,282
Head of Finance		54,094			3,296	57,390	13,089	70,479
Head of Legal & Support Services		64,226			3,265	67,491	15,542	83,033
Head of Community Services		64,226			2,709	66,935	15,543	82,478
Head of Housing		64,226			6,093	70,319	15,542	85,861
Head of Regeneration & Planning	1	7,182			369	7,551	1,738	9,289
Head of Planning & Infrastructure	2	4,593			468	5,061	1,112	6,173
Head of Economic Development	3	46,375			2,627	49,002	11,110	60,112
Head of Joint Strategic Planning	4	32,113			5	32,118	7,779	39,897
Head of Customer Services	5	44,399			2,466	46,865	10,737	57,602
Head of HR & Organisation Development		55,828			4,555	60,383	13,508	73,891
		717,272	0	0	41,086	758,358	155,461	913,819

Note 1: The Head of Regeneration & Planning left on 13/5/18. The annual salary was £61,936.

Note 2: The Head of Planning & Infrastructure started on 1/3/19. The annual salary is £55,116.

Note 3: The Head of Economic Development started on 29/5/18. The annual salary is £55,116.

Note 4: The Head of Joint Strategic Planning left on 30/9/18. The annual salary was £64,226.

Note 5: The Head of Customer Services started on 11/6/18. The annual salary is £55,116.

Notes to core financial statement - continued

2017/18 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

Post information (Post title)	Note	Salary £	Bonus £	Compensation (loss of emp) £	Other £	Total ex pension £	Employers Pension £	Total inc pension £
Chief Executive	1	14,226			387	14,613	3,322	17,935
Chief Executive	2	95,800			5,157	100,957	22,365	123,322
Director of Services	3	27,070			616	27,686	6,319	34,005
Director of Place	4	18,570			783	19,353	4,335	23,688
Director of Housing		79,525			2,161	81,686	18,566	100,252
Director of Resources	5	48,677			651	49,328	10,829	60,157
Head of Finance	6	7,542			520	8,062	1,761	9,823
Head of Service Transformation	7	41,360			719	42,079	9,631	51,710
Head of Legal & Support Services		62,967			3,362	66,329	14,701	81,030
Head of Community Services	8	13,085			397	13,482	2,980	16,462
Head of Community Services	9	25,012			1,303	26,315	5,838	32,153
Head of Housing		62,967			5,450	68,417	14,700	83,117
Head of Regeneration & Planning		59,599			2,127	61,726	13,912	75,638
Head of Economic Development	10	46,978			2,033	49,011	10,582	59,593
Head of Joint Strategic Planning		61,844			301	62,145	14,477	76,622
Head of HR & Organisation Development	11	8,041			786	8,827	1,877	10,704
		673,263	0	0	26,753	700,016	156,195	856,211

Note 1: The Chief Executive left on 12/05/2017. The annual salary was £123,076.09

Note 2: The Chief Executive started on 01/06/2017. The annual salary is £114,960.17.

Note 3: The Director of Services left on 28/07/2017. The annual salary was £83,225.

Note 4: The Director of Place started on 01/01/2018. The annual salary is £74,280.

Note 5: The Director of Resources left on 31/10/2017. The annual salary was £79,525.

Note 6: The Head of Finance started on 07/02/2018. The annual pro-rated salary for this post is £50,681. The post holder was promoted from another post and the above remuneration is for the Head of Service post only, other costs include taxable benefits and have been pro-rated between the posts held in the year.

Note 7: The Head of Service Transformation left on 31/12/2017. The annual salary was £55,109.

Note 8: The Head of Community Services left on 13/06/2017. The annual salary was £62,967.

Note 9: The Head of Community Services started on 08/11/2017. The annual salary is £62,967.

Note 10: The Head of Economic Development left on 15/01/2018. The annual salary was £57,354.

Note 11: The Head of HR & Organisation Development started on 07/02/2018. The annual salary for this post is £54,035. The post holder was promoted from another post and the above remuneration is for the Head of Service post only, other costs include taxable benefits and professional fees and have been pro-rated between the two posts.

Notes to core financial statement - continued

27 External Audit Costs

In 2018/19 North West Leicestershire District Council incurred the following fees relating to external audit and inspection.

2017/18 £'000		2018/19 £'000
	Fees payable with regard to external audit services:-	
51	KPMG LLP	6
0	Mazars LLP	23
	Fees payable for the certification of grant claims and returns:-	
9	KPMG LLP	0
0	Mazars LLP	0
	Fees payable for other assurance work completed in respect of Pooling of Housing capital receipts return	
3	KPMG LLP	5
0	Mazars LLP	0
63		34

28 Contingent Liabilities

In 2018/19 the Council were made aware that pension capital costs may be payable to the Local Government Pension Fund due to a pending decision on ill health grounds of a former Council employee. As a result, the Council is required to disclose a contingent liability for the estimated value of this potential liability. The estimated value is £46k.

Notes to core financial statement - continued

29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £'000		2018/19 £'000
Credited to Taxation and Non Specific Grant Income		
7,492	Council Tax Income	7,785
5,078	Non Domestic Rates	5,325
573	Revenue Support Grant	235
26	Council Tax Transition Grant	0
2,846	New Homes Bonus	2,905
8	Other grants	162
1,821	Capital Grants and Contributions	2,276
17,844	Total	18,688
Credited to Services		
17,038	Housing Benefit Subsidy	14,946
231	Housing Benefit Admin Grant	208
94	Local Council Tax Support Grant	88
145	Cost of Collection	148
647	Private Sector Grants	694
253	Other Grants under £100k each	333
50	Section 106	39
73	Sport & Physical Activity	106
148	Other Contributions under £100k each	135
18,679	Total	16,697

Notes to core financial statement - continued

Grant Income - continued

The Council 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. The balances at the year end are as follows:

31 March 2018 £'000	31 March 2019 £'000
Capital Grant Receipts in Advance	
2,096 Affordable Housing	1,047
967 Recreation/Playground	936
1,092 Healthcare	1,262
5 CCTV	5
91 Police	202
0 Highways	2,377
0 Network Rail	17
4,251 Total	5,846

30 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 and so on, 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:

2017/18 (Receipts)/ Payments £'000	2018/19 (Receipts)/ Payments £'000
Central Government	
(20,815) Revenue Grants (Benefits/RSG/other grants)	(18,544)
36,651 Leicestershire County Council - Precept	40,822
1,965 Leicestershire Fire and Rescue	2,126
5,853 Leicestershire Police - Precept	6,545

Notes to core financial statement - continued

31 Capital Financing Requirement

2017/18 £'000	2018/19 £'000
89,455	88,419
Opening Capital Financing Requirement	
Capital Investment:	
0	0
Housing Capital Finance (REFCUS)	
7,150	11,028
Operational assets	
0	0
Non-operational assets	
647	693
Revenue Expenditure Funded from Capital Under Statute	
Sources of Finance:	
(1,265)	(1,409)
Capital Receipts	
(647)	(2,700)
Government grants and other contributions	
(6,921)	(7,089)
Revenue provision (including major repairs allowance)	
88,419	88,942
Closing Capital Financing Requirement	
Explanation of movements in the year	
Increase / (Decrease) in underlying need to borrow	
(1,036)	523
(unsupported by Government financial assistance)	
(1,036)	523
Increase/(decrease) in Capital Financing Requirement	

Notes to core financial statement - continued

32 Leases

Council as Lessee

Finance Leases - the Council no longer has any Finance Leases.

Operating Leases:

The Council currently has no operating leases.

The expenditure charged to the Chief Executive and Other Services and Community Services lines in the Comprehensive Income and Expenditure Statement during the year in

	31-Mar-18 £'000	31-Mar-19 £'000
2 Minimum lease payments	0	0
0 Contingent rents	0	0
	2	0

Council as Lessor

The Council is not a lessor.

33 Termination Benefits

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £41,814.56 (£20,247.94 in 2017/18).

	No. of compulsory		No. of other agreed		Total no. of exit		Total cost of exit	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	0	2	6	6	6	8	£20,248	£14,773
£20,001 - £40,000	0	1	0	0	0	1	£0	£27,042
£40,001 - £60,000	0	0	0	0	0	0	£0	£0
£60,001 - £80,000	0	0	0	0	0	0	£0	£0
£80,001 - £100,000	0	0	0	0	0	0	£0	£0
	0	3	6	6	6	9	£20,248	£41,815

Notes to core financial statement - continued

34 Pension Schemes Accounted for as Defined Contribution Schemes

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

The Council 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 Council 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.

2019
The Annual Report of the Leicestershire County Council Superannuation Fund is available from Leicestershire County Council, County Hall, Glenfield, Leicestershire. Income and Expenditure Account contains details of the Council's participation in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council.

2017/18 £'000		2018/19 £'000
Net Cost of Services		
4,529	Current service cost	4,572
0	Past service costs	1,361
0	Curtailments	0
4,529		5,933
Net Operating Expenditure		
3,450	Interest cost	3,685
(2,200)	Expected return on assets in the scheme	(2,396)
1,250		1,289
5,779	Amount charged to Income and Expenditure Account	7,222
to be met		
(69)	Movement on pension reserve	(69)
amount		
2,677	Employers' contributions payable to the scheme	2,904
69	Unfunded discretionary benefit payments	69

The following information was supplied by Hymans Robertson LLP on 24th April 2019.

On 1 May 2019, 210 individual members of council staff transferred to Everyone Active after the Council has awarded a contract to them to run its leisure centres and associated services. The pension arrangements we have agreed mean that those staff who are members of the pension scheme remain pooled with the Council's pension scheme. As a result, our future pension liability will continue to reflect staff members who have transferred to Everyone Active.

Notes to core financial statement - continued

Employers Membership Statistics

	Average Age 31-Mar-16
Actives	50
Deferred Pensioners	50
Pensioners	68

Payroll

	2017/18 £'000	2018/19 £'000
Assumed total pensionable payroll based on contribution information provided	11,466	12,000

Investment Returns

The return on the fund in market value terms for the year to 31 March 2019 is estimated based on actual Fund returns as provided by the Administering Authority. Details are given below.

Actual Return for Period 1 April 2018 to 31 March 2019	5.6%
Total Return for Period from 1 April 2018 to 31 March 2019	5.6%

Unfunded Benefits

A summary of the membership data in respect of unfunded benefits is shown below.

LGPS Unfunded Pensions	Number at 31 March 2019	Annual Unfunded Pensions (£'000)
Male	23	54
Female	3	2
Dependants	14	15
	40	71

Notes to core financial statement - continued

Projected Pension Expense For Year 31/03/2020

Analysis of Projected Amount to be charged to operating profit for the year to 31 March 2020.

Period Ended	31/03/2020	
	£'000	% of pay
Projected Current service cost	5,248	43.7%
Interest on Obligation	3,719	31.0%
Expected Return on Plan Assets	(2,261)	(18.8%)
Losses /(Gains) on Curtailment and Settlements	0	0.0%
	6,706	55.9%

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £59,661,000 has a substantial impact on the net worth of the Council 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

The accounts have been prepared on the basis of the actuary's updated valuation report dated 5 July 2019 and takes into account their assessment of the potential impact of Guaranteed Minimum Pension (GMP) equalisation and the outcome of the McCloud judgement relating to the 2014 reforms of LGPS benefit structure. The impact on liabilities is an increase of 0.11% (£164k) for GMP and 0.79% (£1.197m) for McCloud. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

The main assumptions used in their calculations have been:

2017/18	Assumptions	2018/19
2.4%	Inflation/Pension Increase Rate	2.5%
3.4%	Salary Increase Rate	3.5%
2.7%	Discount Rate	2.4%

Notes to core financial statement - continued

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

Assets Category	2017/18		2018/19	
	Value £'000	Asset Distribution %	Value £'000	Asset Distribution %
Equity Securities	2,150	2.43%	1,636	1.74%
Debt Securities	8,203	9.26%	9,174	9.76%
Private Equity	3,150	3.56%	4,334	4.61%
Real Estate	7,782	8.78%	7,024	7.48%
Investment Funds	63,879	72.10%	69,113	73.54%
Derivatives	(258)	(0.29%)	(119)	-0.13%
Cash and Cash Equivalents	3,686	4.16%	2,815	3.00%
Total	88,592	100.00%	93,977	100.00%

Mortality

Life Expectancy is based on the Fund's Vitacurves with improvements from CMI2013 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	22.1	24.3
Future pensioners	23.8	26.2

Reconciliation of Present Value of the Scheme Liabilities

2017/18 £'000		2018/19 £'000
131,783	Opening Defined Benefit Obligation	134,889
4,529	Current Service cost	4,572
3,450	Interest cost	3,685
741	Contributions by Members	766
(2,365)	Actuarial losses/(Gains)	11,671
0	Past service costs/(Gains)	1,361
0	Losses/(Gains) on Curtailments	0
(69)	Estimated Unfunded Benefits Paid	(69)
(3,180)	Estimated Benefits Paid	(3,237)
134,889		153,638

Notes to core financial statement - continued

Reconciliation of fair value of employer assets

2017/18 £'000	2018/19 £'000
84,555	88,591
2,200	2,396
741	766
2,677	2,904
69	69
1,598	2,557
(69)	(69)
(3,180)	(3,237)
88,591	93,977

Scheme History

Amounts for the current and previous accounting periods

The return on the fund in market value terms for the year to 31 March 2019 is estimated based on actual fund returns as provided by the Administering Authority and index returns where necessary. Details are given below.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Fair Value of Employer Assets	68,568	69,218	84,555	88,591	93,977
Present Value of Defined Benefit Obligation	(123,395)	(107,685)	(131,783)	(134,889)	(153,638)
Surplus/(Deficit)	(54,827)	(38,467)	(47,228)	(46,298)	(59,661)
Experience Gains/(Losses) on Assets	6,885	(1,688)	12,797	1,598	2,557
Experience Gains/(Losses) on Liabilities	837	1,437	3,246	(27)	(12)
Actuarial Gains/ (Losses) on Employer Assets	6,885	(1,688)	12,797	1,598	2,557
Actuarial Gains/ (Losses) on Obligations	(16,171)	20,671	(19,974)	2,365	(11,671)
Actuarial Gains/ (Losses) recognised in SRIE	(9,286)	18,983	(7,177)	3,963	(9,114)

Notes to core financial statement - continued

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

2017/18 £'000	2018/19 £'000
1,598 Actuarial Gains/(Losses) on Plan Assets	2,557
2,365 Actuarial Gains/ (Losses) on Obligations	(11,671)
3,963 Actuarial Gain/(Loss) Recognised in SRIE	(9,114)
(25,241) Cumulative Actuarial Gains and Losses	(34,355)

Balance Sheet

2017/18 £'000	2018/19 £'000
88,591 Fair Value of Employer Assets	93,977
(133,764) Present Value of Funded Liabilities	(152,522)
(45,173) Net (Under)/ Overfunding in Funded Plans	(58,545)
(1,125) Present value of unfunded liabilities	(1,116)
0 Unrecognised Past Service Cost	0
(46,298) Net Asset/(Liability)	(59,661)
Amount in the Balance Sheet	
46,298 Liabilities	59,661
0 Assets	0
46,298 Net Asset/(Liability)	59,661

Notes to core financial statement - continued

35 Provisions

This provision for Business Rates appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme which means that the Council now bears part of the risk for future appeals. Under the former business rates scheme, appeals were borne by the Government. The Council's estimate of the value of outstanding appeals up to 31 March 2019 is £5.743m (£4.915m as at 31 March 2018), the value of appeals used in completing the Collection Fund position as at 31 March 2019. The Council has made a provision for 40% of this figure totalling £2.297m (£1.966m as at 31 March 2018) within the 2018/19 accounts.

36 Financial Instruments

A financial Instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, aren't financial instruments.

Financial Liability - an obligation to transfer economic benefits controlled by the council with another entity that is potentially unfavourable to the council

The council's financial liabilities held during the year are measured at amortised cost and comprised

- long-term loans from the Public Works Loans board and commercial lenders
- overdraft facility with Lloyds Bank
- trade payables for goods and services received

Financial Asset - a right to future economic benefits controlled by the council with another entity that is potentially favourable to the council.

The council's financial assets held during the year are accounted for under the following classifications:

Amortised Cost - cash flows are solely payments of principal and interest and the business model is to collect the cash flows only:

- Cash
- bank current and deposit accounts
- Fixed term deposits
- loans to other local authorities
- trade receivables for goods and services provided

Fair value through Profit and Loss:

- Money Market Funds
- loans where the cash flows are not solely payments of principal and interest

Notes to core financial statement - continued

Financial Instruments Balances

FINANCIAL LIABILITIES	Long term		Short term	
	31.03.2018 £'000	31.03.2019 £'000	31.03.2018 £'000	31.03.2019 £'000
<i>Loans at amortised cost</i>				
PWLB	(72,805)	(71,677)	(1,103)	(1,128)
LOBO/Other Loans	(8,913)	(8,906)	0	0
Other Long Term Liabilities	(104)	(97)	0	0
Total Borrowing	(81,822)	(80,680)	(1,103)	(1,128)
<i>Liabilities at amortised cost</i>				
Trade payables-Included in creditors	0	0	(3,683)	(4,251)
Total Financial Liabilities	(81,822)	(80,680)	(4,786)	(5,379)

FINANCIAL ASSETS	Long term		Short term	
	31.03.2018 £'000	31.03.2019 £'000	31.03.2018 £'000	31.03.2019 £'000
<i>At amortised cost</i>				
Principal	3,000	3,000	35,995	37,995
Accrued Interest	0	0	0	0
Loss allowance	0	0	0	0
Total Investments	3,000	3,000	35,995	37,995
<i>At amortised cost</i>				
Principal	0	0	2,289	1,944
Accrued Interest	0	0	0	0
Loss allowance	0	0	0	0
<i>At Fair Value through Profit and Loss</i>				
Money Market Funds	0	0	2,600	5,800
Total Cash and Cash Equivalents	0	0	4,889	7,744
<i>At amortised cost</i>				
Trade Receivables-Included in Debtors	0	0	2,727	2,577
Accrued Interest	0	0	0	0
Loss allowance	0	0	(993)	(1,174)
Total Trade Receivables	0	0	1,734	1,403
Total Financial Assets	3,000	3,000	42,618	47,142

The CIPFA Code for 2018/19 requires that the Council now accounts for Financial Assets and Liabilities under IFRS 9. This has not had a material impact for the Council. The main change is the introduction of a loss allowance (instead of a provision for doubtful debt) which is shown in the table above.

Notes to core financial statement - continued

Financial Instrument - Fair Values

Financial Instruments classified at amortised cost are carried in the balance sheet at amortised cost. Their fair value has been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019. All other financial instruments are carried in the balance sheet at Fair Value.

Fair Values are shown in the table below split by their level in the Fair Value hierarchy:

Level 1 - FV derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices

Level 2 - FV calculated from inputs other than quoted prices that are observable for the instrument e.g. interest rates or yields for similar instruments

Level 3 - FV determined using unobservable inputs e.g non-market data such as cash-flow forecasts or estimated creditworthiness

	Fair Value level	Re-Styled Balance Sheet 2017/18 £'000	Re-Styled Fair Value 2017/18 £'000	Balance Sheet 2018/19 £'000	Fair Value 2018/19 £'000
<i>Financial Liabilities held at amortised cost:</i>					
Long Term Loans From PWLB	2	(73,908)	(84,641)	(72,805)	(83,863)
Long Term LOBO/Other Loans	2	(8,913)	(13,428)	(8,906)	(13,283)
Other Long Term Liabilities		(104)	(104)	(97)	(97)
Sub-Total		(82,925)	(98,173)	(81,808)	(97,243)
<i>Liabilities for which Fair Value is not disclosed</i>					
Trade payables-Creditors		(3,683)	(3,683)	(4,251)	(4,251)
TOTAL FINANCIAL LIABILITIES		(86,608)	(101,856)	(86,059)	(101,494)

The Fair Value of liabilities is higher than the balance sheet value as the council has a portfolio of loans where the interest rate payable is higher than the current rates available for similar loans.

The Fair Values for Financial Assets are calculated as follows:

	Fair Value level	Re-Styled Balance Sheet 2017/18 £'000	Re-Styled Fair Value 2017/18 £'000	Balance Sheet 2018/19 £'000	Fair Value 2018/19 £'000
<i>Financial Assets held at amortised cost</i>					
Investments with Local Authorities	2	34,500	34,719	35,500	35,625
Investments with Banks	2	6,241	6,858	7,040	7,042
<i>Financial Assets held at Fair value</i>					
Money market Funds	1	2,600	2,609	5,800	5,800
Total		43,341	44,186	48,340	48,467
<i>Assets for which Fair Value is not disclosed</i>					
Cash and Cash equivalents		543	543	399	399
Trade Receivables-Debtors		1,734	1,734	1,403	1,403
TOTAL FINANCIAL LIABILITIES		45,618	46,463	50,142	50,269

The Fair Value of assets is higher than the balance sheet value as the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Notes to core financial statement - continued

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 Council's customers.

Prior to the beginning of each financial year, the Council agrees and publishes an Investment Strategy as part of the Treasury Management Strategy Statement. 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 is reviewed annually to ensure that security is maintained in line with current economic conditions.

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.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions and with a delay in cash flow having been assumed. As shown in the financial instruments balances tables on [page 92](#). At 31 March 2019, a total of £1,974 of loss allowances related to treasury investments. As this is not material, this figure has not been accounted for in the statements.

Notes to core financial statement - continued

A summary of the credit quality of the of the council's investments at 31 March is shown below:

Rating	31.03.18		31.03.19	
	Long Term £'000	Short Term £'000	Long Term £'000	Short Term £'000
A+	0	0	0	6,040
A	0	0	0	1,000
BBB+	0	6,241	0	
Unrated Local Authorities	3,000	31,500	3,000	32,500
Money Market Funds	0	2,600	0	5,800
Total Investments	3,000	40,341	3,000	45,340

The Council has £5,147,735 of Debtors, for which a provision for doubtful debts of £2,906,352 has been made. Of this debtors figure, £3,704,832 relates to sundry debtors, £756,528 to Council Tax and Business Rates (this includes amounts owed to the Council by the Government for Business Rates) and £686,375 to Housing Tenant Rents. Debtors are analysed by type and the doubtful debt provision is based on the credit quality of debtors.

The council does not allow credit for customers therefore all unpaid balances are past due date for payment. The gross sundry debtor age analysis is shown in the table below.

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Age	31.03.18 £'000	31.03.19 £'000
Less than three months	1,835	1,515
Three to six months	0	4
Six months to one year	447	438
More than one year	1,815	1,748
Total	4,097	3,705

The table below breaks this down to debtor type

Type	31.03.18		31.03.19	
	Gross Debt £'000	Loss Allowance £'000	Gross Debt £'000	Loss Allowance £'000
Central Govt Bodies	719	0	401	0
Other Local authorities	635	0	488	0
NHS Bodies	4	0	3	0
Public Corporations and trading funds	20	0	5	0
Other entities and Individuals	4,008	(2,779)	4,250	(2,906)
Total	5,386	(2,779)	5,147	(2,906)

Notes to core financial statement - continued

Liquidity Risk.

As the Council 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 Council 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.

The maturity analysis of financial instruments is shown below:

Type	31.03.18			31.03.19		
	Re-stated Liabilities £'000	Assets £'000	Net £'000	Liabilities £'000	Assets £'000	Net £'000
Maturity in 1 year	1,103	(40,884)	(39,781)	1,128	(45,739)	(44,611)
Maturity in 1 - 2 years	1,128	(3,000)	(1,872)	1,154	(3,000)	(1,846)
Maturity in 2 - 5 years	17,540		17,540	19,120		19,120
Maturity in 5 - 10 years	7,174		7,174	5,024		5,024
Maturity in over 10 years	51,903		51,903	51,319		51,319
Uncertain Date *	3,500		3,500	3,500		3,500
Total	82,348	(43,884)	38,464	81,245	(48,739)	32,506

* The Council has one LOBO (Lender Option, Borrower Option) where the lender has the option to propose an increase in the rate payable. The Council will then have the option to accept the new rate or repay the loan without penalty. Due to low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market Risk.

Interest Rate Risk.

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effect:

- borrowings at variable rates - the interest expense will rise
- borrowings at fixed rates - the fair values of the liabilities will fall
- investments at variable rates - the investment income will rise
- investments at fixed rates - the fair value of assets will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the provision of services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the provision of services as appropriate.

Price Risk.

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

Notes to core financial statement - continued

37 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.

	2017/18 £'000	Building Control Charges	2018/19 £'000
		Chargeable Work	
	146	Expenditure	139
	(204)	Income	(157)
	(58)	(Surplus) / Deficit	(18)
		Non-Chargeable Work	
	168	Expenditure	129
	(18)	Income	(5)
	150	(Surplus) / Deficit	124

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38 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 and will continue for the foreseeable future. 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 North West Leicestershire District Council in 2018/19 was £1.2 million.

Notes to core financial statement - continued

39 Expenditure and Funding Analysis

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

2018/19

	Net Expenditure chargeable to the General Fund and Housing Revenue a/c £'000	Recharges £'000	Contributions to/from Reserves £'000	Investment Properties £'000	Revised Net Expenditure chargeable to the General Fund and Housing Revenue a/c £'000	Adjustments between funding basis and accounting basis £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive and Other Services	412	(407)	0	0	5	0	5
Human Resources & Organisational Dev	546	(511)	1	0	36	5	41
Legal and Commercial Services	1,332	(755)	5	0	582	0	582
Community Services including Strategic							
Director of Place	6,993	1,815	759	(478)	9,089	1,687	10,776
Planning & Infrastructure	(165)	417	202	0	454	0	454
Economic Development	766	175	715	0	1,656	30	1,686
Joint Strategic Planning	1	10	1	0	12	0	12
Housing & Asset Mgmt - General Fund	604	(411)	103	1,124	1,420	(808)	612
Customer Services	2,128	(1,278)	32	0	882	138	1,020
Finance	966	(819)	1	0	148	6	154
Corporate and Democratic Core	16	854	13	0	883	0	883
Non-Distributed Costs	1,540	1	0	0	1,541	0	1,541
Housing Revenue Account	(11,100)	(392)	254	0	(11,238)	1,952	(9,286)
Recharges	(1,301)	1,301	0	0	0	0	0
Net Cost of Services	2,738	0	2,086	646	5,470	3,010	8,480
Other Income and Expenditure	(13,838)	0	(2,905)	(646)	(17,389)	8,715	(8,674)
Surplus/Deficit on Provision of Services	(11,100)	0	(819)	0	(11,919)	11,725	(194)

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Notes to core financial statement - continued

Expenditure and Funding Analysis continued

2017/18 (Restated)

	Net Expenditure chargeable to the General Fund and Housing Revenue a/c £'000	Recharges £'000	Contributions to/from Reserves £'000	Investment Properties £'000	Revised Net Expenditure chargeable to the General Fund and Housing Revenue a/c £'000	Adjustments between funding basis and accounting basis £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive and Other Services	755	(747)	5	0	13	0	13
Human Resources & Organisational Dev	529	(490)	3	0	42	5	47
Legal and Commercial Services	1,106	(580)	24	0	550	0	550
Community Services including Strategic Director of Place	6,055	1,456	883	(67)	8,327	1,088	9,415
Planning & Infrastructure	673	476	291	0	1,440	0	1,440
Economic Development	702	144	467	0	1,313	24	1,337
Joint Strategic Planning	11	10	18	0	39	0	39
Housing & Asset Mgmt - General Fund	489	(384)	87	(560)	(368)	961	593
Customer Services	1,913	(1,205)	57	0	765	137	902
Finance	905	(721)	1	0	185	9	194
Corporate and Democratic Core	13	826	18	0	857	0	857
Non-Distributed Costs	98	1	0	0	99	0	99
Housing Revenue Account	(10,604)	(281)	325	0	(10,560)	(1,131)	(11,691)
Recharges	(1,495)	1,495	0	0	0	0	0
Net Cost of Services	1,150	0	2,179	(627)	2,702	1,093	3,795
Other Income and Expenditure	(11,773)	0	(4,223)	627	(15,369)	7,747	(7,622)
Surplus/Deficit on Provision of Services	(10,623)	0	(2,044)	0	(12,667)	8,840	(3,827)

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Notes to core financial statement - continued

Expenditure and Funding Analysis continued

Analysis of adjustments between funding basis and accounting basis

2018/19	Adjustment for capital purposes £'000	Net change for the pensions adjustment £'000	Other Differences £'000	Total Adjustments £'000
Chief Executive and Other Services	0	0	0	0
Human Resources & Organisational Dev	5	0	0	5
Legal and Commercial Services	0	0	0	0
Community Services including Strategic Director of Place	1,687	0	0	1,687
Planning & Infrastructure	0	0	0	0
Economic Development	30	0	0	30
Joint Strategic Planning	0	0	0	0
Housing & Asset Mgmt - General Fund	(809)	0	0	(809)
Customer Services	138	0	0	138
Finance	7	0	0	7
Corporate and Democratic Core	0	0	0	0
Non-Distributed Costs	0	0	0	0
Housing Revenue Account	1,033	(306)	1,225	1,952
Recharges	0	0	0	0
Net Cost of Services	2,091	(306)	1,225	3,010
Other Income and Expenditure	2,423	3,943	2,349	8,715
Surplus/Deficit on Provision of Services	4,514	3,637	3,574	11,725

Notes to core financial statement - continued

Expenditure and Funding Analysis continued

2017/18 (Restated)

	Adjustment for capital purposes £'000	Net change for the pensions adjustment £'000	Other Differences £'000	Total Adjustments £'000
Chief Executive and Other Services	0	0	0	0
Human Resources & Organisational Dev	5	0	0	5
Legal and Commercial Services	0	0	0	0
Community Services including Strategic Director of Place	1,088	0	0	1,088
Planning & Infrastructure	0	0	0	0
Economic Development	24	0	0	24
Joint Strategic Planning	0	0	0	0
Housing & Asset Mgmt - General Fund	962	0	0	962
Customer Services	137	0	0	137
Finance	8	0	0	8
Corporate and Democratic Core	0	0	0	0
Non-Distributed Costs	0		0	0
Housing Revenue Account	(1,957)	(317)	1,143	(1,131)
Recharges	0	0	0	0
Net Cost of Services	267	(317)	1,143	1,093
Other Income and Expenditure	3,333	2,716	1,698	7,747
Surplus/Deficit on Provision of Services	3,600	2,399	2,841	8,840

Notes to core financial statement - continued

40 Prior Period Adjustments, Changes in Accounting Policies and Estimates

A material prior period adjustment has been made to the Council's 2017/18 published financial statements, including the opening balances. Further to the amendments made last year the Council has made further amendments to the accounting of the revaluation of Council Dwellings between the Revaluation Reserve and Comprehensive Income & Expenditure Statement.

Due to the historical nature of these errors, the Council has recalculated the revaluation transactions from 2007/08 to present - the year in which the Revaluation Reserve was first created to ensure that the balances on the Revaluation Reserve and the Comprehensive Income & Expenditure Statement are correct.

Under the requirements of the CIPFA Code of Practice, all adjustments to the Comprehensive Income and Expenditure Statement that relate to asset valuations are reversed out to the Capital Adjustment Account. As such, the correction of these errors has no impact on the year-end General Fund and Housing Revenue Balances, and the impact is limited to changing to two unusable reserves (Capital Adjustment Account and Revaluation Reserve).

Amendments have also been made to the treatment and presentation of donated assets. Again under the requirements of the CIPFA Code of Practice these entries do not have an impact on the year-end General Fund or Housing Revenue Account Balances. These amendments also have some impact on Note 4 and Note 9.

As result the Authority has restated its 2017/18 balances, including opening balances, as shown in the table below.

2017/18	Property Plant & Equipment £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Net Impact on the CIES £'000	General Fund £'000	Housing Revenue Account £'000
Original Opening Position	234,236	(115,106)	(44,309)	0	0	0
Cumulative pre-2017/18 Adjustments		(5,756)	5,756	0	0	0
Restated Opening Position	234,236	(120,862)	(38,553)	0	0	0
Original transactions	19,269	(2,952)	(17,362)	0	0	0
Change in donated assets accounting	0	0	1,806	0	0	(949)
Change in gain/loss on disposals accounting	0	32	(32)	0	0	0
Reallocation of CIES Adjustment	0	(1,806)	0	0	0	949
Changes to Historic Cost Depreciation Adjustment	0	14	(14)	0	0	0
Restated Closing Position	253,505	(125,574)	(54,155)	0	0	0

Section 4 Housing Revenue Account (HRA)

Housing Revenue Account (HRA)

Housing income and expenditure account

(Restated)		NOTES	
2017/18		2018/19	
£'000	£'000	INCOME	£'000
£'000	£'000	INCOME	£'000
	(17,213)	Rents - Dwellings	(17,142)
	(70)	Rents - Garages / Sites	(67)
	(17)	Rents - Shops	(16)
	(12)	Rents - Other	(7)
	(99)		(90)
	(569)	Charges for Services and Facilities	(577)
	0	Reduction in provision for Bad or Doubtful Debts	(4)
	(43)	Other Income	0
	(17,924)	Total income	(17,813)
		Expenditure	
	5,338	Repairs and Maintenance	4,880
		Supervision and Management	
	2,158	- General	2,053
	577	- Special	558
	2,735		2,611
		Capital Charges	
	2,516	- Depreciation of Fixed Assets	2,689
	(4,473)	- Impairment of Fixed Assets	(262)
	(1,806)	- Initial Gain on Donated Assets	(1,393)
	116	Increase in provision for Bad or Doubtful Debts	0
	1	Debt Management Expenses	2
	4,427	Total expenditure	8,527
	(13,497)	Net cost of HRA services included in income and expenditure account	(9,286)
	236	Housing Share of Corporate and Democratic Costs	266
	45	Housing Share of other amounts included in the whole authority cost of services but not allocated to specific services	126
	(13,216)	Net cost of HRA services	(8,894)
	3,321	(Gain) or Loss on Sale of HRA Fixed Assets	4,325
	2,298	Interest Payable and Similar Items	2,271
	(86)	Interest on Balances	(130)
	0	Amortisation of Premiums and Discounts	0
	(1,069)	Capital Grants and Contributions	(1,854)
	(8,752)	(Surplus) / deficit on HRA services	(4,282)

Housing Revenue Account (HRA)

(Restated)		
2017/18	Statement of movement on the HRA balance	2018/19
£'000		£'000
(8,752)	(Surplus) / Deficit on Housing Income and Expenditure Account	(4,282)
8,280	Amounts Required by Statute to be Taken into Account (detailed below)	(606)
(472)		(4,888)
(8,912)	HRA Balance Brought Forward	(9,384)
(9,384)	HRA Balance Carried Forward	(14,272)

(Restated)		
2017/18	Analysis of the movement in the HRA balance	2018/19
£'000		£'000
Amounts required to be taken into account		
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year		
(3,321)	Gain or (Loss) on Sale of HRA Fixed Assets	(4,325)
7	Amortisation of Premiums and Discounts	(14)
43	RTB Discounts repaid	0
0	Employee Benefits adjustment	6
(774)	Net charges for retirement benefits in accordance with IAS 19	(842)
4,396	Impairment/Revaluation of Fixed Assets	187
1,806	Initial Gain on Donated Assets	1,393
2,157		(3,595)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year		
0	Transfer To/(From) Major Repairs Reserve	0
(51)	Right to Buy Admin Contribution	(60)
456	Employer's contributions payable to Leicestershire County Council Pension Fund	536
1,079	Principal Repaid on Self Financing Loans	1,104
3,610	Capital Expenditure funded by the HRA	28
1,029	Transfer To/(From) Reserves	1,381
6,123		2,989
8,280	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(606)

Notes to the housing revenue account (HRA)

H1 Movement in dwelling stock

The Council was responsible for managing an average of 4,221 lettable dwellings during 2018/19. The movement in the stock was as follows:-

2017/18		2018/19
4,236	Stock at 1st April	4,224
(39)	Less: Right to buy Sales	(46)
(11)	Less: Other Sales	(1)
(22)	Less: Demolitions	0
(4)	Less: Transfers out of stock	(7)
0	Add: Buy back	0
28	Add: New Build and Gifted units	41
36	Add: Transfers back into stock	7
4,224		4,218

H2 Property types in dwelling stock

The properties owned by the Council at 31st March 2019 comprise the following:-

	Flats/Maisonettes	Bungalows	Houses	Total
In stock				
Bed sits	59	4	0	63
1 Bedroom	524	324	10	858
2 Bedroom	331	483	419	1,233
3 Bedroom	8	6	1,907	1,921
4 Bedroom	0	0	139	139
5 Bedroom	0	0	4	4
	922	817	2,479	4,218
Transferred out of stock				
Bed sits	15	0	0	15
1 Bedroom	17	2	0	19
2 Bedroom	6	0	0	6
3 Bedroom	2	1	1	4
4 Bedroom	0	0	0	0
5 Bedroom	0	0	0	0
	40	3	1	44
Total	962	820	2,480	4,262

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.

H3 Balance sheet value of council's housing revenue account stock

(Restated) 2017/18 Balance £'000		2018/19 Balance £'000
223,269	Dwellings	230,099
1,845	Other Land and Buildings	2,013
225,114	Operational assets	232,112
639	Surplus Assets	316
2,168	OLB (Land and Assets under construction)	2,267
2,807	Non-operational assets	2,583
227,921	Total assets	234,695

The vacant possession value of dwellings within the Council's HRA as at 31st March 2019 was £ 547,856,000 (31st March 2018 £ 531,490,000). 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.

Notes to the housing revenue account (HRA)

H4 Rent income

Rent income can be analysed as follows:-

This is the total rent income due for the year after an allowance is made for empty properties/voids etc. Average rents were £78.37 per week in 2018/19 (£78.97 2017/18) there being an average decrease of 0.75% (1.26% in 2017/18) over the previous year. During the year 0.64% (0.91% 2017/18) of lettable properties were vacant.

2017/18 £'000		2018/19 £'000
9,901	Collectable from Tenants	10,663
7,312	Rent Rebates	6,479
17,213	Sub-Total Dwelling Rents	17,142
99	Non - Dwelling Rents	90
17,312		17,232

H5 Rent arrears

During the year total rent arrears, as a proportion of gross rent income were 1.98% (3.10% 2017/18). The arrears figures are as follows:-

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Amounts written off during the year were £51,505 (£40,950 - 2017/18). At 31 March the Provision for doubtful debts stood at £676,411 (£582,404 - 2017/18).

2017/18 £'000		2018/19 £'000
661	Total Current and Former Tenant Arrears	686
(108)	Less: Accounts in credit	(336)
553	Net Arrears	350

H6 Major repairs reserve

2017/18 £'000		2018/19 £'000
(592)	Balance at 1st April	(3,031)
(2,439)	Amounts transferred to Reserve during year	(2,614)
	Amounts transferred from Reserve to finance	
	Capital Expenditure:	
0	Dwellings	4,305
0	Depreciation in excess of / (less than) MRA	0
(3,031)	Balance at 31 March	(1,340)

Notes to the housing revenue account (HRA)

H7 Capital expenditure and receipts

Total Capital Expenditure within the Council's HRA during the financial year was £7,621,990. The sources of funding are shown below:

2017/18 £'000	2018/19 £'000
0 Major Repairs Reserve	4,305
1,327 Section 106 Receipts	1,910
3,587 Revenue Contribution	28
0 Other Contributions	0
1,265 Capital Receipts	1,379
6,179	7,622

Total Capital Receipts from disposals of Council Dwellings within the Council's HRA stock in 2018/19 were £3,292,470.

H8 Depreciation of HRA fixed assets

2017/18 £'000	2018/19 £'000
2,416 Dwellings (excl. garages)	2,605
77 Other Land and Buildings	75
23 Surplus Assets	9
2,516 Operational assets	2,689

H9 Revaluation/impairment (reversal) of HRA fixed assets

2017/18 £'000	2018/19 £'000
(4,477) Dwellings (excl. garages)	(440)
(2) Other Land and Buildings	(101)
6 Surplus Assets	279
(4,473) Operational assets	(262)

Section 5 Collection Fund

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Collection Fund

2017/18 £'000	Collection fund income and expenditure account	2018/19	
		£'000	£'000
	Income		
(53,793)	Council Tax (Net of benefits, discounts for prompt payment and transitional relief)		(58,121)
	Transfers from General Fund:-		
0	- Council Tax Benefit		9
(21)	- CTLS Discretionary		(40)
(54,911)	Business Ratepayers		(62,300)
(108,725)	Total Income		(120,452)
	Expenditure		
	Council Tax Precepts and Demands:-		
36,651	Leicestershire County Council	40,822	
5,853	Leicestershire Police	6,545	
1,965	Leicestershire Fire and Rescue	2,126	
7,236	N.W.L.D.C. (including Parish and Special Expenses)	7,701	
1,989	Contribution towards previous year's surplus	2,066	
159	Provision for bad/doubtful debts:- Write Offs	121	
121	Provision for bad/doubtful debts:- Provision	216	
53,974			59,597
	Non-Domestic Rates (NDR):		
28,752	Share of NDR - Government	30,434	
5,175	Payment to Leicestershire County Council	5,478	
575	Payment to Leicestershire Fire and Rescue Service	609	
23,002	Share of NDR - N.W.L.D.C.	24,347	
1,482	Contribution towards previous year's deficit	(978)	
137	Provision for bad/doubtful debts:- Write Offs	370	
14	Provision for bad/doubtful debts:- Provision	74	
(3,636)	Provision for appeals	1,506	
145	Costs of Collection	148	
0	Disregarded amounts	167	
55,646			62,155
109,620	Total Expenditure		121,752
160	Movement on fund - (Surplus)/Deficit for the year - Council Tax		1,445
735	Movement on fund - (Surplus)/Deficit for the year - NDR		(145)
(2,185)	Collection Fund Balance at 1st April 2018 - Council Tax		(2,025)
182	Collection Fund Balance at 1st April 2018 - NDR		917
(2,025)	Collection Fund Balance at 31st March 2019 - Council Tax		(580)
917	Collection Fund Balance at 31st March 2019 - NDR		772

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 discount	Ratio	Band 'D' Equivalent dwellings
A	7,074	6/9	4,716
B	10,959	7/9	8,524
C	6,616	8/9	5,881
D	5,798	9/9	5,798
E	3,988	11/9	4,874
F	1,544	13/9	2,229
G	843	15/9	1,405
H	41	18/9	82
	36,863		33,509
Less: 2% Allowance for Valuation Appeals and irrecoverables			657
Council tax base for 2018/19			32,852

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C3 Income from business rates

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 2019 was £139,862,284 (£136,900,159 - 31st March 2018).

The National Non-Domestic multiplier for the year was 49.3p (47.9p - 2017/18).

The Small Business Rate Multiplier was 48.0p (46.6p - 2017/18).

C4 Provisions

The provision for the Council's share of potential cost of settling outstanding business rates appeals, was created as a result of the introduction of the Business Rates Retention scheme. As part of this scheme, billing authorities acting as agents on behalf of major preceptors (10%), 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 retain a larger share of the 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 £2.3m in its accounts (£2m - 31st March 2018).

Section 6 Special Expenses

Special Expenses Account

	2017/18	2018/19	
	£	£	£
Appleby Magna			
19 Balance brought forward		30	
(1,533) Collection Fund Precept		(1,747)	
(93) Localisation Grant		(93)	
(1,607)			(1,810)
Expenditure			
1,637 Parks and Open Spaces			1,662
30 Balance carried forward (Surplus)/Deficit			(148)
Coalville Urban District area			
(68,931) Balance brought forward		(92,113)	
(379,020) Collection Fund Precept		(403,479)	
(58,387) Localisation Grant		(58,387)	
(506,338)			(553,979)
Expenditure			
336,290 Parks, Rec Grds, Open Spaces & Verge Mtce *		19,158	
20,944 Burial Grounds		37,076	
75,825 Events and Grants		89,727	
240 Other Expenses		9,526	
0 R.C.C.O.		0	
(23,362) Asset Management Revaluation Account		(28,607)	
4,536 Impairment		333,873	
(5,282) Other Adjustments		(5,606)	
5,034 Contribution to/from Ear-Marked Reserves		19,420	
414,225			474,567
(92,113) Balance carried forward (Surplus)/Deficit			(79,412)
Coleorton Parish area			
(61) Balance brought forward		(70)	
(2,936) Collection Fund Precept		(2,979)	
(410) Localisation Grant		(410)	
(3,407)			(3,459)
Expenditure			
1,193 Parks and Open Spaces		1,211	
2,144 Burial Grounds		2,176	
3,337			3,387
(70) Balance carried forward (Surplus)/Deficit			(72)

	2017/18	2018/19	
	£	£	£
Hugglescote			
7,209 Balance brought forward		16,053	
(23,094) Collection Fund Precept		(25,686)	
(1,986) Localisation Grant		(1,986)	
(17,871)			(11,619)
Expenditure			
0 Parks, Rec Grds, Open Spaces & Verge Mtce		0	
34,381 Burial Grounds		16,971	
(457) Other Adjustments		(884)	
0 Contribution to Ear-Marked Reserves		3,500	
33,924			19,587
16,053 Balance carried forward (Surplus)/Deficit			7,968
Kegworth			
(638) Balance brought forward		(638)	
0 Collection Fund Precept		0	
0 Localisation Grant		0	
(638)			(638)
Expenditure			
0 Parks and Open Spaces			0
(638) Balance carried forward (Surplus)/Deficit			(638)
Lockington / Hemington			
(89) Balance brought forward		(1)	
(1,683) Collection Fund Precept		(1,676)	
(99) Localisation Grant		(99)	
(1,871)			(1,776)
Expenditure			
1,870 Burial Grounds			1,898
(1) Balance carried forward (Surplus)/Deficit			122

* 18/19 includes impairment credit of £333,873

Special Expenses Account

2017/18	2018/19	
£	£	£
Measham Parish area		
(102) Balance brought forward	(127)	
(1,703) Collection Fund Precept	(1,788)	
(223) Localisation Grant	(223)	
(2,028)		(2,138)
Expenditure		
1,901 Burial Grounds		1,930
(127) Balance carried forward (Surplus)/Deficit		(208)

Oakthorpe and Donisthorpe		
(167) Balance brought forward	(150)	
(3,414) Collection Fund Precept	(3,536)	
(445) Localisation Grant	(445)	
(4,026)		(4,131)
Expenditure		
3,876 Parks and Open Spaces		3,934
(150) Balance carried forward (Surplus)/Deficit		(197)

Osgathorpe		
(315) Balance brought forward	(308)	
(331) Collection Fund Precept	(352)	
(21) Localisation Grant	(21)	
(667)		(681)
Expenditure		
359 Parks and Open Spaces		364
(308) Balance carried forward (Surplus)/Deficit		(317)

Ravenstone		
(243) Balance brought forward	(273)	
(354) Collection Fund Precept	(391)	
(35) Localisation Grant	(35)	
(632)		(699)
Expenditure		
359 Parks and Open Spaces		364
(273) Balance carried forward (Surplus)/Deficit		(335)

2017/18	2018/19	
£	£	£
Stretton-en-le-field		
(22) Balance brought forward	(7)	
(1,141) Collection Fund Precept	(1,198)	
(206) Localisation Grant	(206)	
(1,369)		(1,411)
Expenditure		
1,362 Burial Grounds		1,382
(7) Balance carried forward (Surplus)/Deficit		(29)

Whitwick		
(952) Balance brought forward	(5,931)	
(20,130) Collection Fund Precept	(20,265)	
(1,598) Localisation Grant	(1,598)	
(22,680)		(27,794)
Expenditure		
627 Parks, Rec Grds, Open Spaces & Verge Mtce	636	
13,226 Burial Grounds	17,927	
(454) Other Adjustments	(884)	
3,350 Contribution to Ear-Marked Reserves	2,805	
16,749		20,484
(5,931) Balance carried forward (Surplus)/Deficit		(7,310)

Section 7 Glossary

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Glossary of main financial terms

Amortisation

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.

Section 8 Auditor's report

Independent auditor's report to the members of North West Leicestershire District Council

Report on the financial statements

Opinion

We have audited the financial statements of North West Leicestershire District Council for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North West Leicestershire District Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Head of Finance is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Financial Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Head of Finance for the financial statements

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Head of Finance is also responsible for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Head of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Head of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014. We have nothing to report in these respects.

Conclusion on North West Leicestershire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2018, we are satisfied that, in all significant respects, North West Leicestershire District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of North West Leicestershire District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

Mark Surrige

For and on behalf of Mazars LLP
45 Church Street
Birmingham
B3 2RT
July 2019

Useful information

If you would like more information about the Annual Statement of Accounts 2018 -19 or any council service, please use the contact details below:

www.nwleics.gov.uk

customer.services@nwleicestershire.gov.uk

 @nwleics

 This is NWLeics

North West Leicestershire District Council,
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LE67 3FJ

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If you have an emergency outside of normal hours
please call 01530 454789

Fax:

01530 454506 (Reception)



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24 JULY 2019

Title of report	ANNUAL STATEMENT OF ACCOUNTS
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk</p> <p>Head of Finance / S151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk</p>
Purpose of Report	To inform Members of the Council's Treasury Management activity undertaken for the financial year 2018/19.
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 Council.
Health and Safety	Not applicable
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 Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	Cabinet – 18 June 2019
Background papers	<p>Capital Strategy 2018/19 – Council 27 February 2018</p> <p>Treasury Management Strategy Statement 2018/19 – Council 27 February 2018</p> <p>Treasury Management Activity Report April 2018 to February 2019 – Audit and Governance 20 March 2019</p>

	Investment Strategy – Service and Commercial 2019/20 – Council 26 February 2019
Recommendations	THAT MEMBERS NOTE THE REPORT.

1.0 BACKGROUND

- 1.1 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 council’s legal obligation under the Local Government Act 2003, to have regard to both the CIPFA Code and the MHCLG Investment Guidance
- 1.3 In 2018/19, council approved its Capital Strategy (included in the Budget and Council Tax report) and Treasury Management Strategy Statement, including the Borrowing Strategy, Debt Rescheduling Strategy, Annual Investment Policy and Strategy, Interest Apportionment Policy, Prudential Indicators and Annual Minimum Revenue Position Statement in its meeting on 27 February 2018.
- 1.4 Investing or borrowing activities expose the council to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risks are therefore central to the council’s treasury management strategy.

2.0 THE U.K. ECONOMY AND OTHER FACTORS.

- 2.1 An economic update and interest rate forecast has been provided by our Treasury Advisers (Arlingclose Ltd) and summarised below. A full update can be found at Appendix A

- CPI rose to 2.3% in November 2018 before falling back to 1.9% in February 2019
- The unemployment was 3.9% in February 2019, the lowest rate since November 1974 to January 1975.
- The Bank of England increased the bank rate by 0.25% to 0.75% in August 2018.
- The data from the ONS Q4 Quarterly National Accounts published on 29 March 2019, showed that the UK economy expanded by 1.4% Year-on-Year

3.0 THE COUNCIL’S TREASURY POSITION.

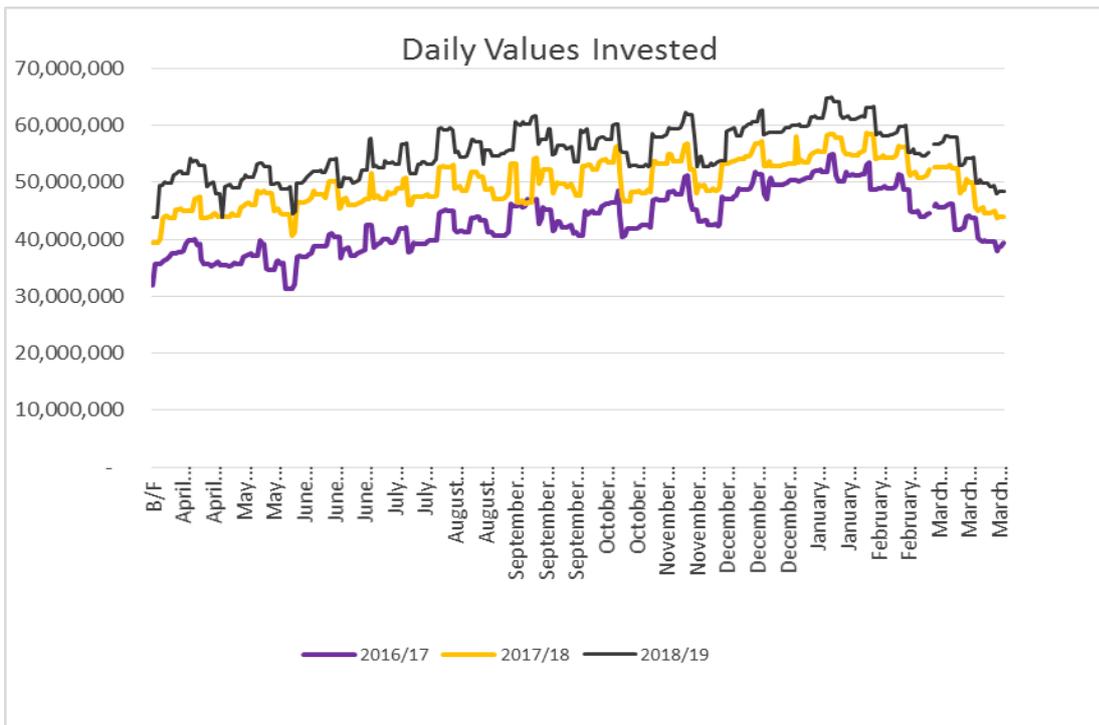
- 3.1 The council’s current strategy is to use internal borrowing to reduce risk and keep interest costs low. The treasury management change over the financial year is shown below.

	Balance at 01/04/2018 £m	Net Movement £m	Balance at 31/03/2019 £m
Long term borrowing - HRA	£73.9	-£1.1	£72.8
Long term borrowing – General Fund	£8.4	£0.0	£8.4
Other long-term liabilities - HBBC	£0.1	-£0.0	£0.1
Total Borrowing	£82.4	-£1.1	£81.3
Long term investments – greater than 1 year	£12.0	-£9.0	£3.0

Short term investments – less than 1 year	£29.3	£10.3	£39.6
Pooled funds and externally managed investments*	£2.6	£3.2	£5.8
Total Investments	£43.9	£4.5	£48.4
Net debt	£38.5	-£5.6	£32.9

*Represents investments held in Money Market Funds

- 3.2 Annual repayments on two PWLB annuity loans (totalling £1.1m) taken out as part of the self-financing system of Council Housing in 2011/2012, is shown in the Net Movement column.
- 3.3 In 2018/19, the capacity for investment has increased by £4.5m. This can be affected by various factors including: increased income, contributions to/from reserves, setting aside expenditure to repay borrowing (MRP), fortuitous income, cash flow timing of receipts and payments and internal borrowing.
- 3.4 In 2018/19, some of the highlights that have increased investment capacity are:
- sales of assets – circa £3.3m including £3.2m HRA dwellings under Right to Buy, £65k in relation to one non-Right to Buy Housing asset and £25k for a disposal of a fleet vehicles through auction;
 - MRP £0.55m, this is the amount charged to the revenue budget for repayment of debt. MRP is an accounting treatment, whereby we are providing an amount each year to repay debt created by capital expenditure;
 - increased income from various activities across the council including:
 - circa £158k from investment income;
 - £130k from Development Control fees; and
 - £56k from recycling income.
- 3.5 The pattern of investments per day is shown in the table below, illustrating the cash flow trends throughout the year



4.0 BORROWING ACTIVITY.

- 4.1 The council's Borrowing Strategy 2018/19, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the council's Prudential Indicators.
- 4.2 No loans matured in 2018/19 that required replacement.
- 4.3 The Borrowing Strategy identified that borrowing would not be required until 2020/21 and the council has not undertaken any new long-term borrowing during the year. Interest payments totalling £2.74m were made in respect of existing debt.
- 4.4 The council's cash flow remained positive and did not require any temporary loans during the year.
- 4.5 The council had approximately £7.1m of internal debt at 31 March 2019. This is the cumulative value of internal cash balances used to finance new capital expenditure instead of financing through unsupported borrowing. This is currently judged to be the most cost effective means of funding the capital programme.
- 4.6 The estimated Minimum Revenue Provision (MRP) is intended to ensure that the capital financing debt is paid off over the longer term. The MRP charge made to General Fund revenue account for 2018/19 is £0.55m.
- 4.7 The Housing Revenue Account is not required to make MRP charges. However, the council classes the principal repayments made in respect of the two PWLB annuity loans taken out as part of the housing self-financing in 2011/12, as MRP. In 2018/19, this repayment was £1.1m.

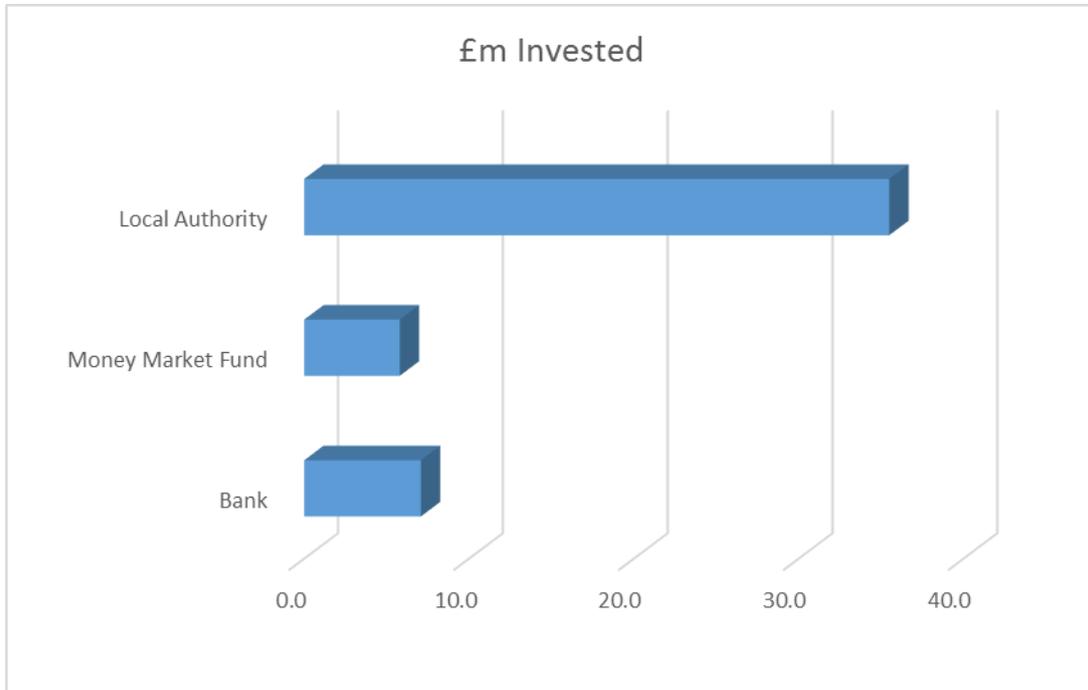
5.0 DEBT RESCHEDULING ACTIVITY.

- 5.1 The council's Debt Rescheduling Strategy 2018/19, 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 council has undertaken no debt rescheduling activity during the year.
- 5.3 The council's portfolio of thirteen loans - ten PWLB loans and three market loans continue to be monitored for debt rescheduling opportunities.

6.0 TREASURY MANAGEMENT INVESTMENT ACTIVITY.

- 6.1 The main objective of the council's Investment Policy and Strategy 2018/19 is to invest its surplus funds prudently.
- 6.2 The council's investment priorities (S.L.Y.) are:
- **S**ecurity of the invested capital;
 - sufficient **L**iquidity to permit investments; and,
 - **O**ptimum **Y**ield which is commensurate with security and liquidity.

6.3 To lower the inherent investment risk, the council has minimised the use of banks and increased the use of other Local Authorities as investment counterparties. A range of lengths of investment, from overnight investments to short and long fixed term, from 32 days to 3 years, are currently utilised to ensure that the principles of security, liquidity and yield are followed. The table below shows the range of counterparties used by the council and the values invested at 31 March 2019.

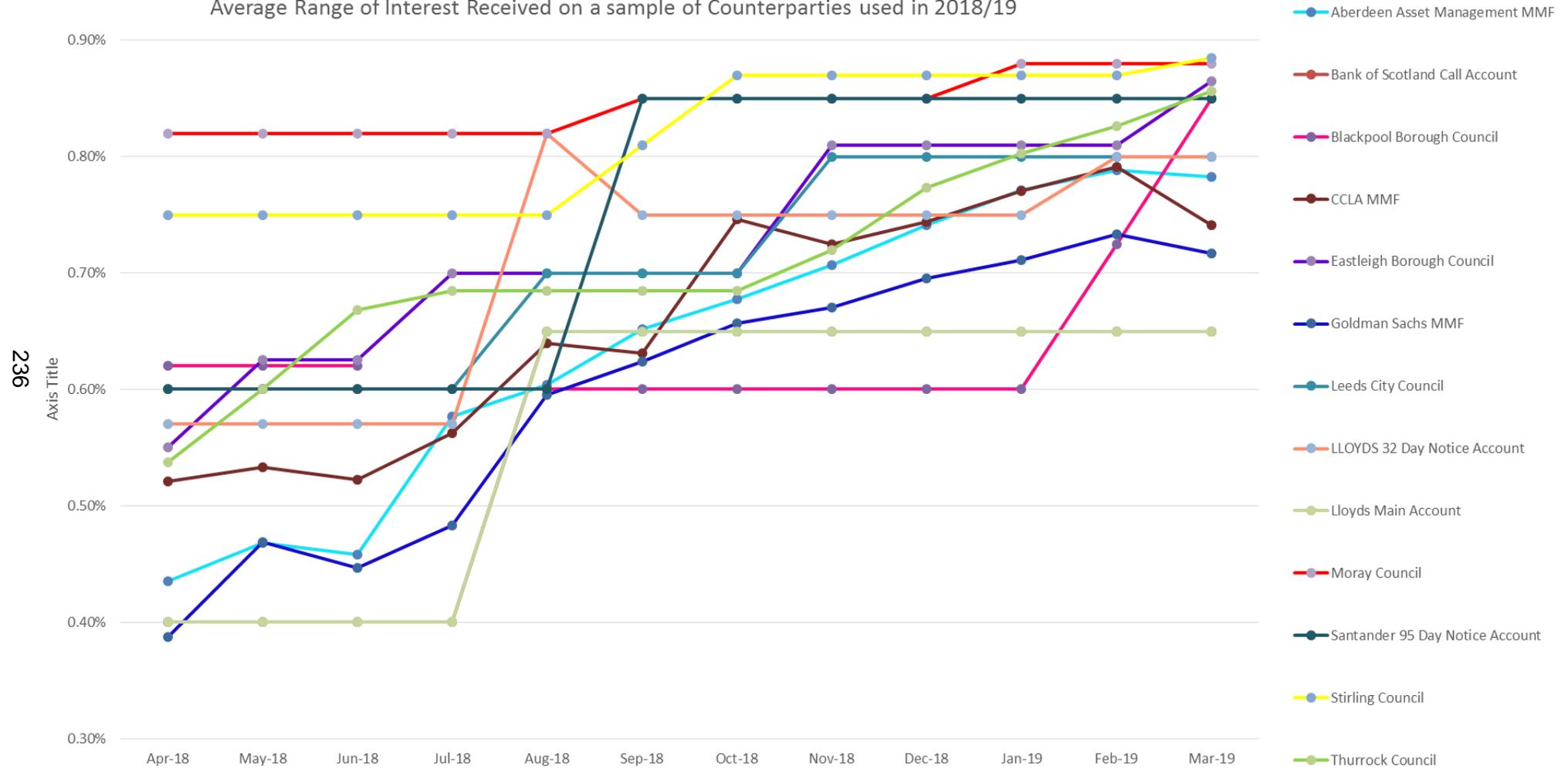


6.4 The counterparties that the council currently use all meet the criteria set out in the Treasury Management Strategy Statement 2018/19 and are monitored by the Treasury Management Advisors. A detailed list of the counterparties used and amounts currently invested can be seen in Appendix B.

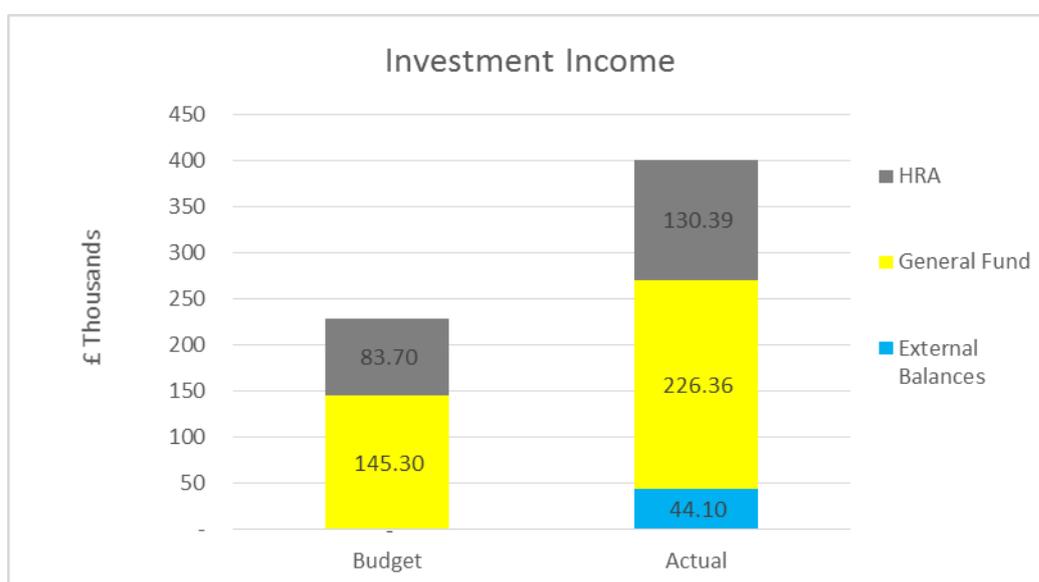
6.5 The average rate of return on the council's investment balances for the year was 0.71%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) on 29 March 2019 was 0.51% and the average 7 day London Interbank Offered Rate (LIBOR) rate was 0.63%. This shows that we are achieving a good rate of return against benchmark.

6.6 Paragraph 6.5 above explains that the current average rate of return of 0.71% has been achieved. The graph below shows the average rate over a sample of counterparties to illustrate the range and movement of interest rates over the year.

Average Range of Interest Received on a sample of Counterparties used in 2018/19



- 6.7 The council budgeted to achieve £229,000 of income from its investment activity in 2018/19 of which £145,300 is applied to General Fund and £83,700 to Housing Revenue Account. Investment activity for the year achieved £400,852 in interest.
- 6.8 Of the income achieved, an element is applied to balances held on external income. This external income largely represents balances from S106 contributions that have not yet been spent. The amount to be applied is £44,104. This is not budgeted for as S106 contributions are only achieved when specific conditions are met and are anticipated to be spent.
- 6.9 The remaining balance of £356,748 is apportioned between the General Fund, which will receive £226,356; and Housing Revenue Account which will receive £130,392.
- 6.10 The budgeted and projected levels of investment income is represented in the table below.



- 6.11 There were two breaches of investment limits in the year reported to Audit and Governance committee on 20 March 2019.
- 6.12 On 31 December 2018 the limit was breached by circa £143,000 due to income being processed earlier than it should have been. This was a banking day but the offices were closed. On 15 January 2019, the limit was breached by circa £90,000 due to a large S106 payment made to us by cheque which cleared overnight. These events were not something the council could have taken action to avoid.

7.0 NON-TREASURY INVESTMENT ACTIVITY

- 7.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

7.2 The following list represents the council's current investments in this area.

Property or Type	Value at 31 Mar 2018	Reason held
Industrial Units	£6.5m	To support the local economy and to generate profits to supplement council expenditure
Markets	£1.5m	Any profit supplements council expenditure
Land	£4.6m	Future economic benefit

7.3 More detailed information can be found in the "Investment Strategy – Service and Commercial" which was presented to Council on 26 February 2019.

7.4 From 2019/20, regular reports on non-treasury investment activity will be presented to Cabinet and/or Audit and Governance Committee.

8.0 SUMMARY

8.1 For the financial year 2018/19, the council can confirm that it has complied with its Prudential Indicators, which were approved as part of the council's Treasury Management Strategy Statement.

8.2 The council can confirm that during the financial year, other than the breach of prescribed limit detailed in paragraph 6.12, it has complied with its Treasury Management Practices.

Economic information provided by Treasury Management Advisors

External Context *(based on data as at 08/04/19)*

Economic commentary

Economic background: After spiking at over \$85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over \$50 in late December before steadily climbing toward \$70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.

With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including voting down Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs

of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

Financial markets: December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the New Year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

Credit background: Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

Appendix B

Counterparty	Length	From	To	Amount	Rate
Bank of Scotland	Overnight	31/03/19	01/04/19	1,295,000.00	0.65%
Barclays Treasury Direct Facility	92	07/03/19	07/06/19	1,500,000.00	0.68%
Blackpool Borough Council	181	06/02/19	06/08/19	2,000,000.00	0.85%
Broxtowe Borough Council	181	01/02/19	01/08/19	1,000,000.00	0.92%
CCLA MMF	Overnight	31/03/19	01/04/19	1,000,000.00	0.74%
Close Brothers Ltd	185	29/03/19	30/09/19	1,000,000.00	1.10%
Conwy County Borough Council	181	28/02/19	28/08/19	2,000,000.00	0.90%
Eastleigh Borough Council	165	15/11/18	29/04/19	1,000,000.00	0.83%
Eastleigh Borough Council	315	07/11/18	18/09/19	2,000,000.00	0.90%
Federated Investors MMF	Overnight	31/03/19	01/04/19	3,000,000.00	0.79%
Goldman Sachs MMF	Overnight	31/03/19	01/04/19	1,800,000.00	0.72%
Highland Council	269	26/02/19	22/11/19	2,000,000.00	1.05%
Kingston-upon-Hull City Council	183	26/11/18	28/05/19	1,500,000.00	0.90%
Kingston-upon-Hull City Council	112	19/12/18	10/04/19	2,500,000.00	0.90%
Leeds City Council	247	22/08/18	26/04/19	2,000,000.00	0.80%
Liverpool City Council	182	11/02/19	12/08/19	2,000,000.00	0.90%
Lloyds Bank Fixed Term Deposit	182	19/11/18	20/05/19	1,500,000.00	0.90%
Lloyds Main	Overnight	31/03/19	01/04/19	42,474.91	0.65%
Lloyds Notice Account	32 days	31/03/19	02/05/19	250,000.00	0.80%
Northumberland County Council	1096	03/04/17	03/04/20	3,000,000.00	0.99%
Santander Notice Account	95 days	31/03/19	04/07/19	1,495,000.00	0.85%
Slough Borough Council	183	28/02/19	30/08/19	2,500,000.00	0.98%
Slough Borough Council	306	29/03/19	29/01/20	2,000,000.00	1.00%
Stirling Council	254	17/09/18	29/05/19	1,500,000.00	0.87%
Stirling Council	91	29/03/19	28/06/19	1,000,000.00	0.90%
Surrey Heath Borough Council	181	15/11/18	15/05/19	1,000,000.00	0.95%
Thurrock Council	288	18/06/18	02/04/19	1,000,000.00	0.66%
Thurrock Council	191	19/11/18	29/05/19	1,000,000.00	0.86%
Thurrock Council	181	15/01/19	15/07/19	1,000,000.00	0.89%
Thurrock Council	181	08/02/19	08/08/19	1,000,000.00	0.92%
Thurrock Council	184	20/03/19	20/09/19	1,000,000.00	0.95%
Uttlesford District Council	185	21/01/19	25/07/19	1,500,000.00	0.92%
Total				48,382,474.91	

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24 JULY 2019

Title of report	INTERNAL AUDIT PROGRESS REPORT
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Legal & Commercial Services 01530 454762 Elizabeth.warhurst@nwleicestershire.gov.uk</p> <p>Audit Manager 01530 454728 Lisa.marron@nwleicestershire.gov.uk</p>
Purpose of report	To inform the Committee of progress against the Internal Audit plan for 2019/20 and to highlight any incidences of significant control failings or weaknesses that have been identified.
Council priorities	Supports all council priorities
Implications:	
Financial/Staff	None.
Health and Safety	None.
Risk Management	The internal audit planning process uses a risk assessment based methodology.
Equalities Impact Screening	Not applicable.
Human Rights	None.
Transformational Government	None.
Consultees	None.
Background papers	Public Sector Internal Audit Standards Internal Audit Annual Plan 2019/20
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT

1.0 INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require the authority's Audit Committee to approve the audit plan and monitor progress against it. The Committee should receive periodic reports on the work of internal audit.
- 1.2 The Audit and Governance Committee approved the 2019/20 Audit Plan on 20 March 2019. The Committee receives progress reports quarterly.

2.0 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 detailed below:

'The Audit & Governance Committee is a key component of North West Leicestershire District Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.'

- 2.2 Particular statements in the Terms of Reference that refer to Internal Audit include:
 13. To approve (but not direct) the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
 17. To consider progress reports from the head of internal audit on internal audit's performance during the year.
 19. To consider summaries of specific internal audit reports in accordance with agreed protocols.

3.0 PROGRESS REPORT

- 3.1 The Internal Audit Progress Report for the period 01 March 2019 to 12 July 2019 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report

July 2019

1. Introduction

- 1.1 The assurances received through the Internal Audit programme are 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 2019/20 Internal Audit Plan up to 12th July 2019.

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 play 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 of the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 Internal Audit provide a combination of assurance and consulting/advisory 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 2015, the Internal Audit Charter and the Council's Constitution. The Financial Regulations, which are part of the Constitution, set 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.

6 Internal Audit Team Update

- 6.1 The Internal Audit Shared Service is currently in discussions with another neighbouring local authority with a view to them joining our shared service. If these discussions do progress to expanding our service to three authorities there will be an increase in resources available to the shared service with the expected benefits including improved resilience, increased opportunities to share staff skills and experience and auditor rotation.

7 Internal Audit Plan Update

- 7.1 Since the last update report Internal Audit resources have been focussed on completing the 2018/19 audit plan as well as starting work on the 2019/20 audit plan (Appendix A).
- 7.2 Nine final audit reports have been issued. The executive summaries for these reports are detailed in Appendix B. In addition two audits are at the draft report stage, two audits are in progress and two audits are at the engagement planning phase.
- 7.3 Two of the nine final audit reports were issued with a Grade 3 opinion (internal controls require significant improvement):
- **Grounds Maintenance**
The main areas identified for improvement were around compliance with procurement rules and regulations, documenting procedures, calculation and evaluation of quotes and Health and Safety training arrangements. Follow up work has found that recommendations have been implemented satisfactorily as detailed in Appendix C.
 - **Health and Safety Arrangements**
The main areas identified for improvement were around inspections of Council premises, roles and responsibilities, training records, monitoring, recording and demonstrating compliance with Health and Safety requirements. Follow up work has found good progress against the recommendations as detailed in Appendix D.

8 Internal Audit Recommendations

- 8.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. All ongoing Internal Audit recommendations (excluding those detailed in Appendix C and D) are included in Appendix E for information, as well as recommendations that have been made and implemented in the March to July timeframe to show progress. There is one overdue recommendation relating to the

production of a single Asset Disposal Policy which had a target date of 11 December 2018. This policy is still at the draft stage. The Audit Manager does not consider this delay in fully implementing the recommendation to be a significant risk as the HRA Disposals Policy (approved February 2015) and the Asset Disposal Policy (approved April 2008) continue to apply however the single policy should be progressed particularly given the age of the other policies.

9 Internal Audit Performance Indicators

- 9.1 Performance information for Internal Audit in relation to its team plan actions and performance indicators is documented in Appendix F.

2019/20 AUDIT PLAN PROGRESS TO 12th JULY 2019

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
HR AND ORGANISATIONAL DEVELOPMENT											
Project Management	Audit	8	-	Scheduled Q3/4							
Performance Management	Audit	6	-	Scheduled Q3/Q4							
Expenses/reimbursements	Audit	3	-	Scheduled Q2							
Health and Safety	Follow up review	5	-	Scheduled Q3							
HOUSING AND PROPERTY											
Planned Maintenance – Stock Condition	Audit	6	0.5	Engagement planning							
Commuted Sums	Audit	6	-	Scheduled Q2/3							
New Housing System (Aareon) Implementation Project	Assurance	4	3.83	Final report issued	Grade 1	-	-	-	-	-	
Housing Procurement Card Expenditure	Spot checks	2	0.25	Q1-Q4							
Property Services	Audit	6	-	Scheduled Q1							Deferred to Q3 at the request of the Head of Housing and Property as new manager only joined NWLDC very recently.
Homelessness	Audit	6	-	Additional Audit							Added to 2019/20 plan.
COMMUNITY SERVICES											
Planning Enforcement	Audit	6	-	Scheduled Q2							
Licensing	Audit	6	1.5	In progress							
CCTV	Audit	5	-	Scheduled Q3/4							
Leisure Contract Procurement	Audit	8	0.2	Engagement planning							
ECONOMIC DEVELOPMENT											
Enterprising NWL Grants	Audit	5	3	In progress							
LEGAL AND COMMERCIAL SERVICES											
Information Governance	Audit	6	-	Scheduled Q3							

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
FINANCE											
Procurement	Audit	8	-	Q2							Deferred to Q3/4. Assurance gained from individual audits.
Key Financial Systems	Risk Based Audits	35	-	Q3/4							
CUSTOMER SERVICES											
ICT Key Controls	3 rd Party Auditor	2	0.25	Engagement Planning							Audit to be provided by specialist ICT auditors.
Revenues and Benefits – DWP Memorandum of Understanding	Audit	3	-	Q2							Reliance will be placed on the work of Partnership Auditors and, if necessary, supplemented to provide assurance for non-Partnership staff who have access to data.

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**KEY
Audit Opinion**

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

Recommendation Priority

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made,
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
Advisory	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

EXECUTIVE SUMMARY OF INTERNAL AUDIT FINAL REPORTS ISSUED 01 MARCH 2019 – 12 JULY 2019

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
2018/19 Audits									
6 – Grounds Maintenance	Community Services Portfolio Holder	Head of Community Services Leisure Services Team Manager	Grade 3	Compliance with procurement rules and regulations. Documentation of procedures. Calculation and evaluation of quotes. Health and Safety training arrangements.	2	4	4	1	-
7 – Health and Safety 252	Corporate Portfolio Holder	Head of HR and Organisational Development	Grade 3	Health and Safety inspections of Council premises. Roles and responsibilities associated with Health and Safety. Recording of training associated with Health and Safety. Demonstrating legal compliance with Health and Safety requirements. Reporting and monitoring of Health and Safety compliance at the Council.	3	16	1	-	-
8 – Treasury Management	Corporate Portfolio Holder	Head of Finance Finance Team Manager	Grade 2	Approval / review of investment and borrowing decisions.	-	1	-	1	-
10 – Main Accounting System	Corporate Portfolio Holder	Head of Finance Finance Team Manager	Grade 1	None	-	-	-	-	-
11 – HR and Payroll	Deputy Leader – Planning and Infrastructure Portfolio Holder	Head of HR and Organisational Development	Grade 1	No control weaknesses identified.	-	-	1	1	-

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
13 – Online Forms (Firmstep)	Housing and Customer Services Portfolio Holder	Head of Customer Services	Grade 1	Setting document retention periods. Ability to obtain contact details where customers leave comments.	-	-	2	--	1
14 – Budgetary Control	Corporate Portfolio Holder	Head of Finance Finance Team Manager	Grade 2	Producing user friendly budget monitoring reports all throughout the year. Training for budget holders. Documenting key decisions and actions required for budget monitoring meetings. Agreeing tolerances for low level variances that do not require investigation.	-	1	6	1	-
15 – New Council Houses 253	Housing and Customer Services	Director of Housing and Customer Services Head of Housing and Property	Grade 2	The decision making process and supporting records in respect of the initial selection and status of new sites. A corporate strategy to cover the supply of new affordable housing. Performance reporting arrangements. Budgetary monitoring for individual development projects.	-	-	5	1	1
2019/20 Audits									
1 – New Housing System Implementation Project	Housing and Customer Services	Head of Housing and Property Project Team Manager	Grade 1	None.	-	-	-	-	-

Grounds Maintenance Audit Report (6) Recommendations Update

Appendix C

Recommendations		Priority	Officer Responsible	Target Date	Audit Follow Up Date	Internal Audit findings at follow up
1	Procedure notes should be produced for all key processes	High	Open Space and Parks Team Leader	31 st March 2019	April 2019	Implemented satisfactorily.
2	The arrangements to maintain and fit fencing should be reviewed immediately with appropriate action taken. This should include discussions with the appropriate managers in Housing. Support and advice regarding this should be sought from the Council's Procurement Officer and Internal Audit.	Critical	Open Space and Parks Team Leader / Procurement Officer	1 st March 2019	April 2019	Implemented satisfactorily.
3	The Procurement Officer should notify the Head of Finance and relevant Head of Service where it is identified that expenditure with an individual supplier has breached/or is likely to breach Contract Procedure Rules.	High	Head of Finance	Immediate and Ongoing	May 2019	No such instances however processes support this. Internal Audit also test expenditure at individual audits therefore will identify if this is not happening.
4	The SLA between Grounds Maintenance and Housing Management should be updated and approved. The SLA should clearly state the roles and responsibilities of both services and also refer to there being no requirement to obtain authorisation from Housing Management for work requested which is less than £200. Consideration should be given to expanding the SLA or producing a separate SLA with Housing Maintenance.	High	Open Space and Parks Team Leader	30 th April 2019	May 2019	Implemented satisfactorily.
5	There should be adequate supporting information for all quotes produced (for internal purposes only). This should include a detailed breakdown of how the cost of the quote was arrived at.	High	Open Space and Parks Team Leader	30 th April 2019	May 2019	Implemented satisfactorily.
6	An evaluation of the cost of completed works should be undertaken to determine the accuracy of the original quote. Where actual costs exceed those quoted reasons for this should be noted and possible contingencies built in for future	Medium	Open Space and Parks Team Leader	30 th April 2019	May 2019	Implemented satisfactorily.

	similar jobs. Where this would prove to be resource intensive it could be applied only to, for example, quotes for external customers, quotes in excess of a specified value or on a sample basis.					
7	In order to ensure that invoices for contracts are issued regularly the Administration Assistant should review the systems in place to monitor this.	Medium	Grounds Maintenance Administration Assistant	Implemented	N/A	Implemented satisfactorily.
8	A record should be maintained of customer surveys issued, the number returned and the responses received to enable the results of these to be incorporated into the annual performance figures.	Medium	Open Space and Parks Team Leader	30 th April 2019	May 2019	Implemented satisfactorily.
9	Customer surveys should be issued to external customers.	Low	Open Space and Parks Team Leader	30 th April 2019	N/A	Internal Audit do not follow up low or advisory recommendations.
10	There should be a formal system in place to monitor and record the standard of work of Grounds Maintenance gangs. The results of this monitoring should be communicated to the gangs with an action plan to address issues where necessary.	Medium	Open Space and Parks Team Leader	30 th April 2019	May 2019	Implemented satisfactorily.
11	The spreadsheet of training / refresher courses should be reviewed. Where it is identified that training / refresher courses are urgently required then these should be arranged. Where there is no longer a requirement for training / refresher courses the spreadsheet should be updated to reflect this.	Critical	Open Space and Parks Team Leader	31 st March 2019	April 2019	Implemented satisfactorily.

Health and Safety Arrangements Audit Report (7) Recommendations Update

Appendix D

Recommendations		Priority	Officer Responsible	Target Date	Audit Follow Up Date	Follow Up Findings
1	The Safety Officer should identify those services which have their own Health and Safety policies. These policies should be reviewed to ensure that they are required and do not contravene the corporate Health and Safety policy. If service specific Health and Safety policies are required these should be included as appendices to the corporate Health and Safety Policy.	High	Safety Officer	June 2019	July 2019	Implemented satisfactorily. The Safety Officer has confirmed that there is only one Health & Safety Policy for the Council. All other documents used by services are referred to as 'guidance' to ensure there is no confusion. CLT have been provided with a hard copy of the Policy.
2	The arrangements in place for ensuring the Health and Safety of all Council premises should be reviewed and expectations documented, if not already. Appropriate records should be kept in order to demonstrate that checks have been completed. A record should be maintained of any issues identified and this should be monitored to ensure that those issues are satisfactorily rectified.	Critical	Head of HR and Organisational Development	Immediately	July 2019	In progress. The Safety Officer has contacted services to request evidence of Health & Safety inspections undertaken. He is in the process of reviewing the paperwork associated with these and plans on carrying out six monthly inspections of services. Internal audit will follow up again.
3	The Safety Officer should ensure that where incidents have occurred in service areas that procedures put in place to protect staff and members of the public are adequate. This should include periodic review of the procedures to ensure that they are still fit for purpose.	High	Safety Officer	July 2019	August 2019	Follow up not yet due.
4	A copy of the Health and Safety Policy should be circulated to all staff each year. Those staff with specific responsibilities in relation to Health and Safety (members of CLT and ELT)	High	Safety Officer	May 2019	June 2019	In progress. The Safety Officer has emailed all Team Managers with a copy of the policy and asked if they can confirm receipt and understanding of the policy. Those who have not responded are in the process of being followed up.

	should confirm that they have received and understood the policy					
5	For roles where there is a specific responsibility for Health and Safety this should be stated within the job description	High	Head of HR and Organisational Development	July 2019	August 2019	Follow up not yet due.
6	The role of the Safety Officer should be reviewed and a benchmarking exercise undertaken to determine the level of resource and responsibilities in this area at other Councils. Where the current resource is found to be insufficient to meet requirements the need for additional resource should be explored.	High	Head of HR and Organisational Development	July 2019	August 2019	Follow up not yet due.
7	The use of the Health and Safety Management System Audit spreadsheet should be reviewed to confirm that it is fit for purpose. Any evidence to support items recorded on the spreadsheet, in particular those where there is a legal responsibility, should be proactively verified by the Safety Officer.	High	Safety Officer	July 2019	August 2019	Follow up not yet due.
8	Where services are looking to, or already, procure independent Health and Safety Audits / Inspections these should be discussed with the Safety Officer. Any findings from the audits / inspection should be shared with the Safety Officer as should any action plans produced as a result of these.	High	Safety Officer and CLT/ELT	July 2019	August 2019	Follow up not yet due.

9	All training records relating to Health and Safety within services should be reviewed and updated and training scheduled where required. Where there is a legal requirement to provide / attend specific training this should be clear from both training records and any associated risk assessments. The adequacy of training records held should be reviewed at least annually by the Safety Officer. Evidence to confirm training has been completed must be provided to the Council (confirmation of attendance, certificates etc.).	Critical	Head of HR and Organisational Development	Immediately	June 2019	In progress. Copy of audit report shared with all team managers for action to be taken as appropriate. New software is being reviewed to manage this and a decision will be made by the Health & Safety Task Group on whether to proceed with the purchase of the new software. Following this further work will be done on this. Individual audits will review Health and Safety matters including training records to gain further assurance on this.
10	A copy of the completed new starter Health and Safety induction checklist should always be forwarded to HR. HR should monitor receipt of this document and follow up where not returned.	High	Head of HR and Organisational Development	Immediately	June 2019	Implemented satisfactorily.
11	The possibility of managing and retaining training records in one central point should be progressed (ITrent).	Medium	Head of HR and Organisational Development	July 2019	August 2019	In progress. New software is being reviewed to manage this and a decision will be made by the Health & Safety Task Group on whether to proceed with the purchase of the new software. Following this further work will be done on this.
12	As stated in the Health and Safety Policy the Safety Officer should scrutinise a sample of risk assessments. This should be done on	High	Safety Officer	June 2019	July 2019	Implemented satisfactorily. The Safety Officer provided evidence to confirm that he has scrutinised a sample of risk assessments in Q1 2019/20. Out of 36 new risk

	at least an annual basis with a record of those risk assessments sampled being made, findings documented and any issues brought to the attention of the risk owner. Where issues are raised these should be followed up to ensure that they have been satisfactorily implemented.					assessments he has reviewed 21 of these. He intends to continue to do this on a quarterly basis.
13	The Safety Officer should ensure that where there is a legal responsibility for services to carry out inspections that these are completed and evidence of this is provided to the Safety Officer. Action should be taken where areas are found to be non-compliant and escalated appropriately where necessary.	Critical	Safety Officer	June 2019	July 2019	Implemented satisfactorily. The Safety Officer has been provided with documents from Property Services, Housing and Waste Services and provided evidence of these. He is currently working with Grounds Maintenance and the new parks Supervisor to ensure all necessary inspections have taken place.
14	Managers should be reminded of the requirement for them to return copies of inspection reports to the Head of Service and the Safety Officer.	High	Head of HR and Organisational Development	April 2019 then July 2019 ongoing	June 2019	Implemented satisfactorily. Copy of audit report shared with all team managers for action to be taken as appropriate.
15	The Safety Officer should contact Solution Host to resolve the issue regarding the recording of accidents. It should also be confirmed whether this issue has had an effect on accident reporting figures obtained from the system.	High	Safety Officer	May 2019	June 2019	Implemented satisfactorily. Since the transfer of Leisure Services accident records are only updated on Solution Host by either the Safety Officer or the Parks and Open Space Team Leader. The issue relating to Solution Host was known and did not have an effect on the accuracy of reporting. Solution Host will continue to be used until October 2019 when a new Health & Safety package will be procured.
16	The Safety Officer should periodically check the accident records held on Solution Host and follow up any which are shown as unrectified and have passed the deadline date. Where rectification action has been taken a sample should be reviewed to verify the	High	Safety Officer	June 2019	July 2019	Implemented satisfactorily. The Safety Officer inputs all accidents reports onto Solution Host, with the exception of those for Grounds Maintenance. He reviews the Grounds Maintenance accident reports and ensure follow up of any actions for rectification.

	action taken and where necessary this has been communicated to staff.					
17	Confirmation should be sought as to whether the Council's Contractors Policy Statement is still relevant. If so, the Safety Officer, Procurement Officer and Legal Services should work together and review the statement and how this should be included in the procurement and contract management process. The process should include pre-works/site visits as appropriate to ensure the contractor is compliant with Health and Safety requirements. This should also cover relevant works ordered through the Purchase Ordering system	High	Safety Officer	June 2019 Extended to October 2019	November 2019	In progress. The Safety Officer has requested an extension of the target date for this recommendation. He is due to meet with Legal Services and procurement regarding this. It was agreed to revise the target date to October 2019.
18	CLT should be consulted on the type and format of information they require to be reported to them in connection with Health and Safety. Information provided should enable CLT to make decisions and take action where necessary. Key aspects of Health and Safety should be reported separately to the quarterly performance report.	High	Chief Executive	April 2019	June 2019	In progress. The Safety Officer advised that a report will be taken to CLT in July and the intention is to discuss the type and format of information.
19	There should be a specific Health and Safety Committee / working party set up in order to share good practice and to develop and streamline Health and Safety processes and procedures throughout the Council. There should be involvement of members and union representatives to provide oversight and the committee / working party should be chaired by a senior officer.	High	Chief Executive	June 2019	July 2019	In progress. The Head of HR and Organisational Development is in the process of setting up a Health & Safety Task and Finish Group to consider concerns raised as a result of the Internal Audit. Key officers have been invited to attend and an external advisor will also be in attendance. The first meeting is scheduled to take place on 19 th July.

RECOMMENDATIONS TRACKER

Appendix E

Report	Recommendation	Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments		
2017/18 Reports								
10	Capital Accounting	1	It is recommended that a single Asset Disposal Policy is produced which includes disposal of Land and Buildings (Council and HRA), and Plant and Equipment. Responsibility for completion of the Land and Buildings element of the policy being assigned to the Asset Management Team Manager, the Plant and Equipment element being assigned to the Head of Finance (S151 Officer). The policy, once completed, should be formally approved (Asset Management Group, CLT) and made available to relevant staff.	High	At the time of issuing the audit report - Head of Finance (S151 Officer) & Asset Management Team Manager. The task of developing the Single Asset Disposal Policy is now being taken forward by the Head of Housing and Property.	11 December 2018	No update provided.	STATUS – OVERDUE This policy is at the draft stage. The Audit Manager does not consider this delay in implementing the recommendation to be a significant risk as the HRA Disposals Policy (approved February 2015) and the Asset Disposal Policy (approved April 2008) continue to apply however the single policy should be progressed.
2018/19 Reports								
8	Treasury Management	1	All investments and borrowing decisions should be made by the Section 151 Officer or the Deputy S151 Officer, this is in accordance with the Treasury	High	Head of Finance (S151) & Finance Team Manager (Deputy S151)	Immediate	Implemented	Implemented satisfactorily

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
			Management Strategy Statement 2018/19.					
	Treasury Management	2	Where there are delays in the completion and checking of reconciliations the reason for the delay should be documented.	Low	Technical Accountant	Not applicable as advisory	Not applicable as low priority	Internal Audit do not follow up low or advisory recommendations.
11	HR and Payroll	1	Formal consent is obtained from employee 002070 regarding the increase in working hours.	Low	HR Advisor	30.06.19	Not applicable as low priority	Internal Audit do not follow up low or advisory recommendations.
		2	Agree an overpayment recovery plan with employee 001550.	Medium	HR Analyst	31.07.19	Meeting arranged with employee.	Internal Audit follow up August 2019.
13	Online Forms (Firmstep)	1	The Data Protection Officer should be consulted on current and future Firmstep forms to ensure that they are compliant with GDPR.	Medium	Digital Transformation Project Manager	Ongoing	Meeting to be arranged with Data Protection Officer.	Internal Audit follow up September 2019.
		2	Advice should be sought from the Data Protection Officer regarding retention of completed Firmstep forms and time periods associated with retaining these documents.	Advisory	Digital Transformation Project Manager	Not applicable as advisory	Not applicable as advisory	Internal Audit do not follow up low or advisory recommendations.
		3	Until such time as Firmstep have resolved the issue regarding the ability to access contact	Medium	Digital Transformation Project Manager	August 2019	Recommendation not yet due	Internal Audit follow up September 2019.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
			details for those customers who have left feedback/ comments, the option of including a contact email address / telephone number as part of the comment should be included to enable contact with customer to resolve any issues.					
14	Budgetary Control	1	Budget monitoring reports should be produced and issued to budget holders on a monthly basis throughout the year.	High	Finance Team Manager	July 2019 (P12) June 2020 (P1 & P2)	Recommendation not yet due	Internal Audit follow up August 2019.
		2	Finance Business Partners should provide budget monitoring information to managers in a format that enables them to manage their budgets more effectively.	Medium	Finance Team Manager	Finance Team Manager did not agree to recommendation.	Recommendation not yet due	Internal Audit follow up October 2019.
		3	Formal training on managing budgets should be available for staff to attend. Where there is sufficient demand training should be scheduled, with refresher training available as required.	Medium	Finance Team Manager	September 2019	Recommendation not yet due	Internal Audit follow up October 2019.
		4	Meeting agendas should contain all key areas for discussion and should	Medium	Finance Team Manager	July 2019	Recommendation not yet due	Internal Audit follow up August 2019.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
			be updated as required.					
		5	A pro-forma document should be used to record details of meetings between Team Managers and Finance Business Partners. This should adequately record decisions made and actions to be taken following the meeting. Any actions can be followed up at future meetings.	Medium	Finance Team Manager	July 2019	Recommendation not yet due	Internal Audit follow up August 2019.
		6	The possibility of there being enhancements to the current financial system to reduce the amount of manual intervention required in the budget monitoring reporting process should be explored.	Medium	Finance Team Manager	September 2019	Recommendation not yet due	Internal Audit follow up October 2019.
		7	Finance Business Partners should be located within the service areas they are responsible for on specific days / times. This could be aligned to when formal budget monitoring meetings take place.	Low	Finance Team Manager	December 2019	Not applicable as low priority	Internal Audit do not follow up low or advisory recommendations.
		8	A level at which	Medium	Finance Team Manager	July 2019	Recommendation not yet due	Internal Audit follow up August 2019.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
			identified variances should be investigated and reported on by Finance Business Partners should be agreed.		(General Fund) & Strategic Finance Manager (Housing Revenue Account)			
15	New Council Houses	1	A comprehensive central record of new sites should be maintained and updated on an ongoing basis in order to show the current status of each site, together with the details and date of any formal review(s) and decision(s) made. Details of expenditure in respect of initial investigations and assessments could also be included for information purposes.	Medium	Head of Housing and Property/New Build Project Officer	31.07.19 and ongoing	Recommendation not yet due	Internal Audit follow up August 2019.
		2	The draft Decision Making / Process Map for new sites should be finalised and agreed by the Newbuild Group and used for all new sites going forward.	Medium	Head of Housing and Property/ Strategy and Systems Team Manager	31.07.19 and ongoing	Recommendation not yet due	Internal Audit follow up August 2019.
		3	The revised financial model used to assess the viability of new sites should clearly state any assumption made in respect of the potential loss of a new property	Low	Head of Housing and Property/ Strategic Finance Manager	31.07.19	Not applicable as low priority	Internal Audit do not follow up low or advisory recommendations.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
			as a result of the Right to Buy Scheme.					
		4	The corporate strategy to cover the supply of new affordable housing should be finalised and submitted to the Newbuild Group and CLT and should include all relevant opportunities i.e. new builds, gifted properties and those purchased directly from developers, long-term empty properties and those previously purchased by tenants under the Right to Buy Scheme and then offered back to the Council.	Medium	Head of Housing and Property/ Strategy and Systems Team Manager	31.10.19	Recommendation not yet due	Internal Audit follow up November 2019.
		5	Formal performance reports in respect of the key areas of the new build project should be provided to CLT at regular intervals.	Medium	Head of Housing and Property	In line with corporate project reporting timetable	Will be reported in line with corporate project reporting timetable	Internal Audit follow up August 2019.
		6	Monitoring of the actual costs of each individual phase or element of an individual development (e.g. the construction contract) against the agreed budget should be added to the existing budget monitoring process.	Medium	Head of Housing and Property supported by the Strategic Finance Manager	31.07.19 and ongoing	Recommendation not yet due	Internal Audit follow up August 2019.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
		7	The internal resources allocated to the new build project should be reviewed periodically to ensure that they are adequate to support the planned levels of development and maintain the effective management of individual sites and contracts.	Advisory	Head of Housing and Property	Ongoing	Not applicable as advisory	Internal Audit do not follow up low or advisory recommendations.

Internal Audit Performance

Performance Measures:

Performance Measure	2019/20 Q1 Target	Position as at 12.07.19	Comments
Delivery of 2019/20 Audit Plan	20%	5%	More time spent in Q1 on completing 2018/19 audit plan than planned. Expect to catch up this quarter.
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	Seven client satisfaction questionnaires returned relating to 2018/19.
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 1 Milestone	Position as at 12.07.19
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Commence review of Health and Safety risk assessment for all service areas	Review Completed June 2019
Conduct self-assessment audit of all office areas and support activities of the Legal Services Team	Conduct Q1 self-assessment audit and report findings to Legal Services Team	Completed.
Complete audits as per risk based audit plan	Complete 20% of audit plan	One final report issued. Two audits are in progress with another two at engagement planning stage therefore expect to catch up this quarter.
Quarterly progress reports to Audit and Governance Committee	Progress report to June A&GC	Progress report will be updated for July 2019 A&GC
PSIAS compliant Annual Opinion report for presentation to June A&G Committee.	Prepare PSIAS compliant Annual Opinion report for presentation to June A&G Committee.	Annual Opinion Report presented to July A&GC as no meeting in June.
A risk based annual audit plan for 2020/21 that complies with PSIAS and is approved by 31 March 2020.	No milestone for quarter 1.	

Key Deliverables (Action)	Quarter 1 Milestone	Position as at 12.07.19
Deliver a shared service that Blaby District Council want to continue to share.	Manage a shared service which meets SLA requirements.	No issues to report. Currently in discussions with a neighbouring authority to expand shared service.
Comply with Public Sector Internal Audit Standards.	Have an external inspection before April 2020.	No issues to report.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24 JULY 2019

Title of report	INTERNAL AUDIT ANNUAL REPORT
Contacts	<p>Councillor Nicholas Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Legal & Commercial Services 01530 454762 Elizabeth.warhurst@nwleicestershire.gov.uk</p> <p>Audit Manager 01530 454728 Lisa.marron@nwleicestershire.gov.uk</p>
Purpose of report	<p>To present the annual internal audit opinion on the overall adequacy and efficiency of the Council's framework of governance, risk management and control.</p> <p>This is required by the Public Sector Internal Audit Standards and should be used to inform the Annual Governance Statement.</p>
Council priorities	Supports all council priorities
Implications:	
Financial/Staff	None
Health and Safety	None
Risk Management	A negative internal audit opinion would cast doubt on the Council's governance arrangements and could impact on the audit of the Statement of Accounts.
Equalities Impact Screening	N/A
Human Rights	N/A
Transformational Government	No direct implications.
Consultees	Head of Finance (Section 151)
Background papers	Internal Audit Progress Reports issued during 2018/19 Public Sector Internal Audit Standards
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THIS REPORT.

1. INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Audit Manager) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2018 to 31 March 2019.
- 1.2 This report includes the Audit Manager's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 This report also includes:
 - A summary of internal audit work carried out during 2018/19 which supports the opinion.
 - Issues relevant to the preparation of the Annual Governance Statement.
 - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
 - A statement on conformance with the Public Sector Internal Audit Standards.

2. CHIEF AUDIT EXECUTIVE (AUDIT MANAGER) OPINION 2018/19

- 2.1 I am satisfied that sufficient internal audit work has been undertaken to allow me to give an opinion on the adequacy and effectiveness of the framework of governance, risk management and control. In giving this opinion it should be noted that assurance cannot be absolute and the most that Internal Audit can provide is reasonable assurance that there are no major weaknesses in the system of internal control.
- 2.2 For the 12 months ended 31 March 2019, I have formed the opinion that the Council's internal control arrangements are a **Grade 2** overall. In line with our Internal Audit opinion grade definitions, this means that I consider that the internal control arrangements require improvement in some areas.
- 2.3 My opinion is based on the following:
 - All internal audit work undertaken during the year.
 - Assurance provided by the auditors of the Leicestershire Revenues and Benefits Partnership.
 - Follow up audit work in respect of audit recommendations.
 - My knowledge of the Council's governance and risk management structure and processes.

3. SUMMARY OF INTERNAL AUDIT WORK DURING 2018/19

- 3.1 The risk based internal audit plan for 2018/19 was presented and approved by the Audit and Governance Committee on 21st March 2018. The plan was developed to provide assurance on the adequacy and effectiveness of internal controls across a range of financial and organisational areas that were identified as part of the risk based planning process. Progress against the plan has been reported to Audit and Governance Committee throughout the year as part of the quarterly Internal Audit progress reports.

- 3.2 A summary of the audit opinions given in 2018/19 by the in-house team is detailed in Table 1 below. The opinion for individual audits is included in Appendix A for information.

Table 1

Audit Opinion	Number
Grade 1 – Internal controls are adequate in all important aspects	4
Grade 2 – Internal controls require improvement in some areas	6
Grade 3 – Internal controls require significant improvement	3
Grade 4 – Internal controls are inadequate in all important aspects	0
Total	13

- 3.3 Three of the Council's key financial systems (Benefits, Business Rates and Council Tax) are provided by the Leicestershire Revenues and Benefits Partnership. For 2018/19 the internal audit service at the Partnership was provided by Grant Thornton. They issued a report on Debt Recovery and Business Rate Reviews with the conclusion 'significant assurance with some improvement required'. They reported their findings at the Leicestershire Partnership Revenues and Benefits Joint Committee held on 24th January 2019. Five 'low' recommendations and three improvement points were made. Partnership management responses including action taken are also included in the report to Joint Committee.
- 3.4 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit and Governance Committee is updated on the Council's progress against the recommendations as part of the quarterly Internal Audit progress reports, as well as giving details of ongoing or overdue recommendations. A summary of the recommendation tracking results for 2018/19 is included at Appendix B.

4. ISSUES RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT

- 4.1 The in-house Internal Audit team have issued three Grade 3 audit reports during 2018/19. These should be considered when preparing the Annual Governance Statement:
- Gas and Solid Fuel Maintenance and Servicing Performance Monitoring
The main areas identified for improvement were around delays in receiving performance information from the contractor, accuracy of performance reporting and assurances regarding the security of data held by the contractor. All of the audit recommendations have been implemented satisfactorily and in addition a specialist third party auditor has been appointed to provide independent assurance with regards to the standard and quality of work undertaken by the contractor. The Head of Finance has also initiated the development of a contract management guide to provide support and guidance to officers who have responsibility for managing a contract.
 - Grounds Maintenance
The main areas identified for improvement were around compliance with procurement rules and regulations, documenting procedures, calculation and evaluation of quotes and Health and Safety training arrangements. Follow up work has found that recommendations have been implemented satisfactorily.

- Health and Safety Arrangements
The main areas identified for improvement were around inspections of Council premises, roles and responsibilities, training records, monitoring, recording and demonstrating compliance with Health and Safety requirements. Follow up work to date has found good progress against the recommendations.

There were no Grade 4 audit reports issued during 2018/19.

A number of high priority recommendations were made in respect of other audit reviews undertaken, however as they tend to relate to specific systems and/or service areas, I do not consider it necessary to include them in the Annual Governance Statement. The Section 151 Officer receives all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) FOR INTERNAL AUDIT

- 5.1 The Public Sector Internal Audit Standards (PSIAS) require the QAIP to include internal and external assessments.
- 5.2 The internal assessments applicable to 2018/19 comprise of the following:
- The Audit Manager/ Interim Audit Manager planned all audit engagements and carried out documented reviews of working papers and draft reports prior to issue.
 - Monthly performance review meetings, attended by the Audit Manager/Interim Audit Manager and the Head of Legal and Commercial Services.
 - Customer satisfaction surveys were sent out to all Heads of Service and Team Managers who had an audit in their service area. The results of which are included in the quarterly progress reports to Audit and Governance Committee.
 - Quarterly progress reports to Audit and Governance Committee which include monitoring of activity and performance.
- 5.3 The PSIAS require external assessments to be conducted at least once every five years. Our external assessment was completed in April 2015 and the full report was presented to the Audit and Governance Committee meeting on 24th June 2015. The Audit Manager will make arrangements for a second external assessment during 2019/20.

6. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 6.1 The external assessment conducted in April 2015 concluded that there were no significant gaps in compliance. The Standards were updated in April 2017 and the Audit Manager carried out a review against the additions to the Standards at that time to ensure that we remained compliant from April 2017. There have been no further updates to the standards during 2018/19.
- 6.2 I can confirm that during 2018/19 we conformed to the Public Sector Internal Audit Standards and will continue to do so during 2019/20.

RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS 2018/19

Audit Report	Grade	Number of Recommendations					Date reported to Audit and Governance Committee
		Critical	High	Medium	Low	Advisory	
1 – Car Parking and Enforcement	1	-	-	-	-	-	October 2018
2 – Gas and Solid Fuel Maintenance and Servicing Performance Monitoring	3	-	5	3	1	-	March 2019
3 – Housing Repairs	2	-	1	4	-	-	March 2019
4 – Rent Accounting	2	-	1	2	-	-	March 2019
5 – Creditors	2	-	2	1	-	-	March 2019
6 – Grounds Maintenance	3	2	4	4	1	-	To be reported July 2019
7 – Health and Safety Arrangements	3	3	16	1	-	-	To be reported July 2019
8 – Treasury Management	2	-	1	-	1	-	To be reported July 2019
9 – S106							N/A – report in draft form
10 – Main Accounting System	1	-	-	-	-	-	To be reported July 2019
11 – HR and Payroll	1	-	-	1	1	-	To be reported July 2019
12 – Sundry Debtors							N/A – report in draft form
13 – Online Forms (Firmstep)	1	-	-	2	-	1	To be reported July 2019
14 – Budgetary Control	2	-	1	6	1	-	To be reported July 2019
15 – New Council Houses	2	-	-	5	1	1	To be reported July 2019
	Total	5	31	29	6	2	

SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP 2018/19

Recommendation Priority	Recommendations Made	Recommendations Not Agreed	Recommendations Implemented	Recommendations Outstanding (In Progress or Not Yet Due)	Recommendations Overdue/Not Implemented
Critical	5	-	3	2	-
High	31	-	19	11	1
Medium	29	-	14	15	-
Total	65	-	36	28	1

“Recommendations Outstanding” figures include recommendations made in respect of the recently issued reports - Online Forms (Firmstep), Budgetary Control and New Council Houses.

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Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
Advisory	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24 JULY 2019**

Title of report	CORPORATE RISK UPDATE
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk</p> <p>Head of Finance and S151 Officer Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk</p>
Purpose of report	To receive the Quarter 4 Corporate Risk Update
Council priorities	Value for Money
Implications:	
Financial/Staff	The Council manages its risks within existing budgets. Effective risk management protects the Council from insurance and/or compensation claims, fraud, and a range of other financial liabilities.
Risk Management	As detailed in the report.
Equalities Impact Screening	Not applicable.
Human Rights	Not applicable.
Transformational Government	Not applicable.
Consultees	None
Background papers	None
Recommendations	1. THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THE QUARTER 4 CORPORATE RISK UPDATE.

1.0 BACKGROUND

- 1.1 Cabinet approved the updated Risk Management Policy at its meeting on 1 May 2018.
- 1.2 One of the requirements of the Policy is for members of this Committee and Cabinet to receive details of the high level risks monitored through the Corporate Risk Register. The updated Risk Register can be found at Appendix 1 and a quarterly review of this is now a standing agenda item for this Committee going forward. The updated Risk Register is also now included as an appendix to the Quarterly Performance Reports presented to Cabinet, with any exceptional items being highlighted.

2.0 SUMMARY

- 2.1 The Risk Scrutiny Group reviews the corporate risks quarterly and recommends any changes through the Corporate Leadership Team prior to the information being presented to this committee.
- 2.2 Whilst there continues to be uncertainty at a national level around the UK's departure from the European Union, planning and mitigation measures at a local level were well advanced in the run up to the proposed withdrawal date of 29 March 2019. Additional resources as well as increased commitments of time by the Chief Executive and other officers, were devoted to preparations for withdrawal in the fourth quarter so there has been no movement in the rating of this risk (no.13). With a new proposed withdrawal date of 31 October 2019, the register has been updated to reflect this and activity by officers is expected to step up again in the second quarter of 2019/20.
- 2.3 The Leisure Project, in preparation for the contract start date of 1 May 2019 with Everyone Active, is managed through the corporate risk 8 (Projects) from a risk perspective. The text has been expanded to describe additional control measures in place (e.g. proposed internal audit of project management planned for Q3 / Q4 of 2019/20; implementation of a contract management framework for outsourced services; and scrutiny of individual project risk registers and project management frameworks by the Risk Scrutiny Group). With regard to the latter, the Leisure Services Team Manager has been invited to present an agenda item at the Risk Scrutiny Group when it meets on 3 September 2019 to provide assurance on the Leisure Project risk register and contract monitoring framework in place. The Risk Scrutiny Group may then take a view on whether the Residual Risk (Likelihood) of risk 8 should be reduced from 3 to 2 which would bring the overall risk rating down from 9 to 6.
- 2.4 Risk 11 around the Council's income has also been updated to strengthen the wording around the bi-annual review of the Medium Term Financial Plan, the Head of Finance's monitoring of local government funding reviews and the Council's engagement of a funding advisor to assist with this process.
- 2.5 Audit and Governance Committee are asked to review and note this risk update, and provide any feedback they wish to be considered by the Risk Scrutiny Group.

APPENDIX 1

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
1	SOCIAL/ POLITICAL/ LEGAL Death / serious harm to a vulnerable person receiving a council service	A serious case review arising from death/serious harm to a vulnerable person. Reputational damage to council. Loss of confidence in ability of council to deliver services.	Lack of response to a safeguarding report. Service failure.	4	4	16	Community Safety Manager	Head of Communities	The organisation has the following structures in place; An identified Corporate Lead (Head of Service) with a Portfolio Holder lead An identified Team responsible for Safeguarding (Safer & Stronger) with responsibility embedded into Team Leader role and an officer (Child & Adults at risk Officer) An agreed Safeguarding Policy refreshed as required with delegation to Director of Housing and Customer Services for updates An identified group of Designated Safeguarding Officers (DSO's) in most service areas A programme of regular DSO meetings which consider training, best practice and case issues An annual training programme to ensure new DSO's are well informed and trained A quarterly senior management review of all cases to check progress/close cases A quarterly briefing with the Chief Executive, a 6 monthly report to CLT and an annual report to Cabinet Annual report reviews previous year and endorses an action plan for the year ahead.	4	2	8	Stable
2	FINANCIAL/ COMMERCIAL/ REPUTATIONAL Mismanagement of council	Central Government intervention/special measures. Adverse publicity. Possible litigation. Withdrawal of services.	Mis-interpreting of or not responding appropriately to a change in fiscal policy.	4	4	16	Head of Finance	Strategic Director of Housing and Customer	Monthly management reviews monitor actual spend against budgets and forecast to the end of the year.	4	1	4	Stable

	finances		Poor budget planning / management. Internal financial systems and regulations not being properly applied.					Services	Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place. Financial planning processes have been documented and are reviewed regularly. Internal and External audit of systems and accounts. Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise.				
3	REPUTATIONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies	Council unable to perform its statutory duties. Use of external resources at significantly higher cost.	Failure to horizon scan and interpret future needs in crucial roles. Inability to recruit to vacancies / retain staff.	4	2	8	Head of HR and OD	Chief Executive	Advance planning will mitigate this risk; Ability to divert resources from other services, bringing in additional resources from other sources (e.g. Agencies, Consultants, Voluntary/ Community sector etc.) would be activated. Market conditions are tested through recruitment processes. The Council can offer a package of additional benefits to enhance the recruitment offer. The Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive. Best Employee Experience is a programme to attract and develop the right skills, and promoting existing staff talent through secondments and tailored development programmes. Apprenticeships allow the Council to 'grow our own'.	3	2	6	Stable
4	LEGAL / FINANCIAL Contracts are not properly procured and managed	Council liable to incur additional costs, contract overrun, litigation and potential health & safety issues as well as service disruptions.	Failure to monitor contractors appropriately. Legal and procurement teams not consulted when contractors are engaged.	3	4	12	Finance Team Manager. All Team Managers.	All Heads of Service	Corporate procurement officer and legal team to support where necessary on contract management. Policies and procedures are in place. Reserve contractor in place where appropriate.	3	2	6	Stable

			Loss of key staff or supplier. Procurement procedures are not followed.						A Senior Procurement Officer oversees a procurement planning process. Training programme in place for staff.				
5	LEGAL / TECHNOLOGICAL Loss or unlawful use of personal data constituting breach of data protection legislation	Monetary penalties from ICO, adverse publicity, private litigation and personal criminal liability of officers.	Systems not in place to protect sensitive data. Staff are not properly trained in managing information, and do not follow internal procedures.	3	3	9	Legal Services Team Manager	Head of Legal & Support Services	Policies and procedures are in place although not yet rolled out and fully embedded. Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. The Council has a dedicated SIRO. Corporate Governance Groups are in place to scrutinise impacts/issues arising.	3	2	6	Stable
6	LEGAL / REPUTATIONAL / COMMERCIAL Failure to respond to an emergency in an appropriate manner	General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre). Adverse publicity. "Business as usual" not possible without appropriate business continuity plan in place. Breakdown in relationship with other responders.	Lack of planning, training and exercising of Emergency plans Inadequate Corporate Business Continuity Management. Lack of procedural understanding	4	3	12	Head of Human Resources and Organisation Development	Chief Executive	Business continuity plans have been documented, policies and procedures are in place. The LRF partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations. Business Continuity exercises show the readiness of the Council to deal with emergencies. System of ICO / FLM duty rotas is in place.	4	1	4	Stable
7	LEGAL/ TECHNOLOGICAL/ COMMERCIAL Infiltration of ICT systems	"Business as usual" would not be possible. Cost of repelling cyber threat and enhancing security features.	Systems not in place or kept current to deflect any foreseeable cyber attack. Limited staff awareness of possible threats.	4	4	16	ICT Manager	Head of Customer Services	Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. New business services are run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres.	3	2	6	Increasing

								Improved business recovery arrangements have been implemented to minimise recovery time. Accreditation to Cyber Essentials Plus and the Public Services Network.				
8	COMMERCIAL / POLITICAL / FINANCIAL Projects are poorly managed	Failure of proposed projects could result in failure to achieve overall objectives. Inefficient use / waste of resources.	Failure to implement project management techniques. Poor corporate oversight of projects. Inadequate controls on expenditure and poor budget monitoring. Inadequate monitoring of external contracts. Failure to engage project management expertise when required.	3	4	12	Head of Human Resources and Organisation Development	<p>Properly convened project teams with PID and project plan in place, including project risk registers. Progress on corporate projects scrutinised by CLT. Implementation of contract management framework for outsourced services. Scrutiny of quarterly monitoring reports on capital expenditure.</p> <p>Utilising Internal Audit to conduct audits of individual projects or Project management more widely. Use of external resources to be used to support the Coalville and Leisure projects. Scrutiny of risk registers or project management framework of individual projects by Risk Scrutiny Group.</p>	3	3	9	Stable
9	LEGAL / POLITICAL / REPUTATIONAL Council makes ultra vires (beyond the council's powers and functions) decisions	Potential litigation against the Council, resulting in increased costs / compensation. Reputational damage.	Staff / Members proceeding outwith established governance arrangements. Failure to consult with Legal / Monitoring Officer. Lack of understanding of the implications of dealing with a particular matter.	4	3	12	Legal Services Team Manager	Head of Legal & Support Services	4	1	4	Stable
10	FINANCIAL / LEGAL / REPUTATIONAL Council is subject to fraud, corruption or theft	Financial, reputational and political damage to Council.	Lack of checks and balances within financial regulations.	4	3	12	Head of Finance. All Team Managers & Heads of Service.	Directors	3	2	6	Stable

			<p>Poor budget / contract management.</p> <p>Poor monitoring of / adherence to financial systems</p>					<p>The Internal Audit annual planning process takes into account high risk areas, which considers fraud risks. Fraud risks are considered as part of specific audits with testing designed to detect fraud where possible. The Council is also subject to External Audit.</p> <p>Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes.</p> <p>Information on how to report fraud is on the website including relevant links.</p> <p>Participation in National Fraud Initiative (mandatory) and Leicestershire Fraud Intelligence Hub (voluntary).</p> <p>Leicestershire Revenues and Benefits Partnership have two trained officers working solely on Council Tax Reduction Scheme Fraud and act as Single Point of Contact for DWP referrals.</p>					
11	<p>FINANCIAL / COMMERCIAL / ECONOMIC</p> <p>The Council is subject to a reduction in income</p>	<p>Services are unable to be delivered. Potential staff redundancies.</p> <p>Funding of external groups is withdrawn.</p> <p>Potential breach of statutory duties.</p>	<p>Reduction in government grant.</p> <p>Changes to the local authority financial settlement.</p> <p>Economic downturn / recession.</p> <p>Commercial opportunities not progressed.</p> <p>Changing rent policies.</p>	3	4	12	<p>Head of Finance.</p> <p>All Heads of Service.</p>	<p>Directors.</p> <p>Chief Executive.</p>	<p>Medium Term Financial Strategy in place, including Self Sufficiency initiative. Bi-annual review of Medium Term Financial Plan. Head of Finance monitoring of Local Government funding reviews. Funding advisor engaged. Economic Development Team promotes business offer. Participation in Business Rates Pilots.</p> <p>Accessing external funding where appropriate.</p> <p>Income collection procedures in Revs & Bens Service and Housing.</p>	3	3	9	Increasing

12	POLITICAL / ORGANISATIONAL The Council is affected by Local Government Reorganisation	<p>a) Change to Local Government structure in Leicestershire/East Midlands, including potential merger of district councils/county council could lead to:</p> <ul style="list-style-type: none"> - Change in location for service delivery/staff - Reduction of control over local matters - Change in financial situation - Staff redundancies - Alternative political structure and governance arrangements - Changes in services to be provided and organisation culture - Deterioration in staff morale and negative effect on staff recruitment and retention - Ineffective engagement with staff, Members and residents in considering, and responding to, proposals. - Diversion of senior staff resources to respond to proposals. 	Political direction to consolidate local government tiers to potentially seek greater efficiency and co-ordination	4	3	12	Chief Executive and Head of Legal and Support Services.	Chief Executive	Active engagement with political leaders and Chief Executives across the County so NWL's needs are taken into account in the proposals. Open and transparent communication of NWL position to all stakeholders. Senior management and politicians stay close to project and monitor progress. Internal and external communication plans in place, including for key decision points. External resources to be utilised in assessing any proposals.	3	2	6	Decreasing
13	POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU, including a potential 'no deal' Brexit	<p>The UK's departure from the EU, including an inability to agree the terms of the exit by 31 October 2019 could lead to:</p> <ul style="list-style-type: none"> - increase in checks on goods by Environmental Officers at East Midlands Airport meaning increase in resources / costs. - uncertainty and subsequent regime around tariffs, access to markets, migrant labour and transport of goods in / out of EU could impact on businesses in district / region leading to decline in business rates and employment levels. - potential need for increased storage facilities at entry / exit points and associated increases in freight traffic, putting pressure on local infrastructure - potential withdrawal of access to EU wide IT systems (e.g. relating to imported foodstuffs) -diversion of staff resources into contingency planning. 	UK departure from EU, including inability of the EU and UK govt to agree terms by 31 October 2019 of the UK's exit.	4	3	12	Chief Executive and Head of Economic Regeneration	Director of Place / Chief Executive	Engage with National Local Authority steering groups for border control at strategic & operational levels. Implement communication strategy for local businesses so technical notices are shared, with appropriate signposting. Work with LLEP and Chamber of Commerce to provide business advice and support to address changes to legislation & certification. Monitor political developments on EU withdrawal closely. Establish contingency plans after scenario based assessment of resources required for increase in checks and controls, & access to alternative IT systems. Conduct localised assessment of potential impact around East Midlands Airport. Participate in Multi-agency Leicestershire Resilience Forum framework , with risk assessment	3	3	9	Stable

Assessing the likelihood of a risk:

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

Assessing the impact of a risk:

1 Low	<p>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</p>
2 Medium	<p>Loss of a service for up to one week with limited impact on the general public Service objectives of a service unit are not met</p> <p>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 newspaper report Potential for a complaint litigation possible Breaches of regulations / standards</p>
3 High	<p>Loss of a critical service for one week or more with significant impact on the public and partner organisations Service objectives of the directorate of a critical nature 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 newspaper report Litigation to be expected Breaches of law punishable by fine</p>
4 Very high	<p>An incident so severe in its effects that a critical service or project will be unavailable permanently Strategic priorities of a critical nature are not met Statutory duties are not achieved Death of an employee or member of the public</p> <p>Financial loss over £1m. Adverse national media attention – national televised news report Litigation almost certain and difficult to defend</p> <p>Breaches of law punishable by imprisonment</p>

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24 JULY 2019**

Title of report	STANDARDS AND ETHICS - QUARTER REPORT
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Legal and Commercial 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 2019/20.
Council priorities	Value for Money
Implications:	
Financial/Staff	N/A
Health and Safety	N/A
Risk Management	By receiving this information members will be able to manage risks.
Equalities Impact Screening	N/A
Human Rights	N/A
Transformational Government	This relates to the new ways in which Councils are being asked to deliver their services
Consultees	N/A
Background papers	None
Recommendations	1. THAT THE REPORT BE RECEIVED AND NOTED. 2. THAT THE COMMITTEE ENDORSES BY WAY OF FEEDBACK TO OFFICERS ON THE NEW REPORT STRUCTURE THE COMMENTS BY MEMBERS IN THE MINUTES OF THIS MEETING.

1 STANDARDS AND ETHICS QUARTER 1 REPORT

1.1 At the meeting of the Committee on 20 March 2019, the Monitoring Officer sought two volunteers from the Committee to meet with her to discuss the format of the Standards and Ethics quarterly reports.

1.2 The reports were created around 10 years ago and it was considered that it was a good time to review their format and usefulness to members of the Committee. The reports comprise three sections; information regarding the complaints made about councillors under the Members' Code of Conduct, data on complaints, MP enquiries and Ombudsman cases and, finally, the remaining ethical indicators (number of whistleblowing reports, objections to the accounts, number of breaches of the member / officer protocol, etc). An example of the report can be found here:

<https://minutes-1.nwleics.gov.uk/documents/s22634/Enc.%201%20for%20Standards%20and%20Ethics%20-%20Quarter%203%20Report.pdf>

1.3 Councillors Sheahan and Clarke met with the Monitoring Officer on 9 April to discuss the report. The following was agreed, subject to consideration by this meeting.

- (a) That the information regarding complaints about councillors under the Members' Code of Conduct was helpful and necessary given the responsibilities of the Committee to promote and maintain high standards of conduct by councillors and monitoring the operation of the Code of Conduct. The terms of reference of the Audit and Governance Committee in the Constitution refers.
- (b) That the reporting of complaints, MP enquiries and Ombudsman data and analysis should be via the quarterly reports. This would enable reports to be considered by the Corporate Scrutiny Committee and Cabinet and for the information to be more closely linked to the performance of the organisation.
- (c) That the efficiency of the remainder of the ethical indicators be reviewed.

1.4 Accordingly the attached quarterly report for Q1 of 2019/20 has been revised with the sections on the Code of Conduct and ethical indicators being updated. A summary of the updates to ethical indicators is as follows:

Added

- Instances of concern raised re Modern Slavery
- Instances of concerns re Modern Slavery referred to national referral agencies
- Number of challenges to procurement

Removed

- No. of recommendations made to improve governance procedures/policies
- No. of recommendations implemented.

Members are invited to comment on the revised structure. The minutes of this meeting will be considered by officers as member's feedback and appropriate refinements will be implemented in the report for Quarter 2.

1.5 The Corporate Scrutiny Committee will consider the complaints, MP enquiry and Ombudsman data at the meeting on 4 September 2019 where it considers the Q1 performance report.

Standards and Ethics

Quarter 1 Report

2019-2020

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Page 2 - Local Determinations of Complaints

Page 3 - Ethical Indicators

Page 4 - Freedom of Information Requests

Page 5 - Definitions

Introduction

This is the 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 2019/20.

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.

Local Determination of Complaints

The Monitoring Officer received 1 complaint in Quarter 1 of 2019/20.

2.1 Assessment Sub-committee Decisions

There has been no Assessment Sub-committee meetings in this quarter.

The Monitoring Officer pursues an informal dispute resolution process prior to initiating formal proceedings via the Sub-committee route.

1 complaint has been resolved informally in Quarter 1.

2.2 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.

2.3 Review Requests

There have been no review requests in Quarter 1. 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.

2.4 Subsequent Referrals

None to report – see above.

2.5 Outcome of Investigations

There were no investigations concluded in this period.

2.6 Parts of the Code Breached

This section is intended to show where there are patterns forming to enable the Audit and 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

Ethical Indicators

PERFORMANCE INDICATOR	Q1		Q2		Q3		Q4	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
Instances of concerns raised re Modern Slavery	n/a	0	n/a		n/a		n/a	
Instances of concerns re Modern Slavery referred to national referral agencies	n/a	0	n/a		n/a		n/a	
Number of whistle blowing incidents reported	0	0	0					
Number of Challenges to procurements	n/a	0	n/a		n/a		n/a	
Public interest Reports	0	0	0					
Objections to the Councils Accounts	0	0	0					
Disciplinary action relating to breaches of the Member/Officer Protocol	0	0	0					
Follow up action relating to breaches of the Member/Officer Protocol	0	0	0					

Freedom of Information Requests

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	Q1		Q2		Q3		Q4	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
Total Number	43	84	57		69			
% answered on time	84%	99%	96%		100%			
Average per month	14	28	19		23			
Average response time (days)	12	11	9		11			
Business as usual	58	59	86		55			
Transfers	29	18	32		32			
Subject access requests	3	2	3		2			
Non-compliant requests	0	0	2		0			
Appeals	0	0	0		0			
Withheld due to exemption/fees	7	0	11		5			
Environmental Information Requests - Land Charges Searches (personal)	40	437	47		5			

The total number of FOI requests year on year are double but looking back through each quarter illustrate a steady increase.

All but one request was answered on time and response time appears to be fairly stable.

It was not felt that information in relation to any request should be withheld in the last quarter.

Environmental Information Requests was previously known as Land Charges Searches. Following discussions with the Land Charges department it was felt that this was a more accurate way to report. The figures are therefore distorted and there is not the spike in requests as currently appears.

Definitions

Business as usual Information requested can be sent quickly and easily within the normal course of business

Land Charges specific information about a particular property

Ombudsman Complaint a customer has followed Stage 1 and 2 complaints procedure but unhappy with the outcome they are entitled to take complaint to the Local government Ombudsman who will decide if the Council has a case to answer.

Subject Access Request a request by an individual to see information an organisation holds on them

Transfers requests received that fall out of our remit i.e. Adult social Care or Highways

Environmental Information Request a right for any person to request access to environmental information held by public authorities.

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AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 12/07/19)

Issue	Details	Report Author	Meeting at which will be reported
July			
Report to Those Charged with Governance		Tracy Bingham, Head of Finance	24 July 2019
Annual Governance Statement		Tracy Bingham, Head of Finance	24 July 2019
Annual Statement of Accounts		Tracy Bingham, Head of Finance	24 July 2019
Treasury Management Stewardship Report		Tracy Bingham, Head of Finance	24 July 2019
Corporate Risk Update		Glyn Jones, Strategic Director of Housing and Customer Services	24 July 2019
Internal Audit Annual Report		Lisa Marron, Audit Manager	24 July 2019
Internal Audit Progress Report		Lisa Marron, Audit Manager	24 July 2019
STANDARDS AND ETHICS - QUARTER 4 REPORT		Elizabeth Warhurst, Head of Legal & Commercial Services	24 July 2019
October			
Internal Audit Progress Report		Tracy Bingham, Head of Finance	9 October 2019
Corporate Risk Update		Glyn Jones, Strategic Director of Housing & Customer Services	9 October 2019
Standards and Ethics Quarter 1 Report		Elizabeth Warhurst, Head of Legal & Commercial Services	9 October 2019

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